



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



**2023**  
ANNUAL REPORT

\*For identification purposes only

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Ms. Xu Ying (*Chairlady and non-executive Director*)\*  
 Mr. Wu Zheng (*General Manager and executive Director*)\*  
 Dr. Zhou Qi (*Non-executive Director*)\*  
 Ms. Lin Weihua (*Non-executive Director*)\*  
 Mr. Wong Man Chung Francis  
*(Independent non-executive Director)*  
 Ms. Liang Yanjun (*Independent non-executive Director*)  
 Mr. Qin Zheng (*Independent non-executive Director*)  
 Mr. Lin Fan (*Executive Director*)#  
 Mr. Shao Yongjun (*Executive Director*)#  
 Mr. Koh Tee Choong (*Non-executive Director*)#  
 Mr. Li Guozhou (*Non-executive Director*)#

### BOARD OF SUPERVISORS

Ms. Gu Xiaoqiong (*Chairlady*)\*  
 Ms. Zhang Langman\*  
 Ms. Wang Qing (resigned on 13 March 2023)  
 Mr. Li Huihua#  
 Ms. Wu Liyue#

### AUDIT COMMITTEE

Mr. Wong Man Chung Francis (*Chairman*)  
 Ms. Lin Weihua\*  
 Ms. Liang Yanjun  
 Mr. Qin Zheng

### REMUNERATION AND EVALUATION COMMITTEE

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

### NOMINATION COMMITTEE

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

\* appointed on 14 February 2023

# resigned on 14 February 2023

### RISK MANAGEMENT COMMITTEE

Ms. Xu Ying (*Chairlady*)\*  
 Mr. Wu Zheng\*  
 Dr. Zhou Qi\*  
 Ms. Lin Weihua\*  
 Mr. Wong Man Chung Francis  
 Ms. Liang Yanjun\*  
 Mr. Qin Zheng\*  
 Mr. Lin Fan#  
 Mr. Shao Yongjun#

### JOINT COMPANY SECRETARIES

Mr. Ji Yijun (appointed on 29 June 2023)  
 Mr. Chan Pak Hung

### AUDITOR

Deloitte Touche Tohmatsu  
 Registered Public Interest Entity Auditors  
 35/F One Pacific Place  
 88 Queensway  
 Hong Kong

### LEGAL ADVISORS

Eric Chow & Co. in Association with Commerce & Finance  
 Law Offices (Hong Kong law)  
 Suite 3401, Alexandra House  
 18 Chater Road  
 Central, Hong Kong

### H SHARE REGISTRAR

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

### WEBSITE

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

### STOCK CODE

2718



## CORPORATE INFORMATION

**REGISTERED ADDRESS AND HEAD OFFICE IN THE PRC**

12/F (Nominal Floor: 15/F)  
Building Two, No. 58  
Yao Yuan Road  
Pudong New Area  
Shanghai, PRC

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Suites 3901–3903  
39th Floor, Tower 2, Times Square  
No. 1 Matheson Street  
Causeway Bay, Hong Kong

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Company is an automotive finance company licensed and regulated by the National Financial Regulatory Administration. The Company's principal business comprises automotive loan business where the Company provides loans, direct leasing products and other financial services to end customers, major customers and corporate clients for purchases of vehicles in the PRC.

In 2023, the increasing efforts on the national macroeconomic adjustments and controls as well as the implementation of proactive fiscal policies promoted the recovery of the domestic economy. The consumption growth rate in categories such as automobiles and petroleum exceeded the level prior to the pandemic. According to the data of China Association of Automobile Manufacturers, the production and sales volume of automobiles in 2023 amounted to 30.2 million units and 30.1 million units respectively, representing a year-on-year growth of 11.6% and 12% respectively, indicating favourable market performance.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the National Financial Regulatory Administration. As at 31 December 2023, there are more than 20 licensed automotive finance companies in China, all of which are in competition with commercial banks, financial leasing companies and internet finance companies. Automotive finance companies, being in close business relationship with automobile manufacturers and dealers, deliver enhanced product offerings and better services to customers. During the year, the Company's partnership-based dealer network covered more than 300 cities in China. As at 31 December 2023, the Company has a total of over 500 partnership-based dealers and channel service providers. The strength of the Company's sales network and reasonably established market presence has enabled the Company to have closer engagement with consumption demographic, and introduce better experience and services to the consumers.

In 2023, being the first full accounting year since SAIC Motor formally became the controlling shareholder of the Company, the Company has seen significant improvement and enhancement on its automotive finance business. During the year ended 31 December 2023, the number and amount of automobile retail loans disbursed by the Company increased significantly year-on-year, of which the number of automobile retail loans disbursed was approximately 69 thousand, whereas the amount of loans disbursed was approximately RMB4.7 billion, representing a year-on-year increase of 4,550%. In 2023, the Company recorded net interest income of RMB216 million, representing an increase of 43% as compared to 2022. In addition to the increase in the Company's income driven by a significant increase in the business volume above, the Company leveraged the resources advantages of its automobile finance business and provided related financial consultation services business, and achieved a net fee and commission income of approximately RMB88 million in 2023, driving up the Company's overall operating income. During the year, the Company achieved an operating income of approximately RMB304 million, representing an increase of approximately 87% as compared to 2022.

In 2022, the Company recorded a net profit of RMB135 million. After excluding the impact of the reversal of impairment losses in 2022, the Company's net profit from the retail business suffered a slight loss last year. For the year ended 31 December 2023, the Company recorded a net profit of approximately RMB56 million and realised favourable profit level under normal operations.



## MANAGEMENT DISCUSSION AND ANALYSIS

Due to the expansion of business scope and the active disbursement of new loans by the Company, as well as the maturity and settlement of existing customers, the number of Company's existing loan customers was approximately 74.3 thousand as of 31 December 2023 (31 December 2022: 14.6 thousand).

In terms of retail loans, the loan balance of the Company was approximately RMB4.52 billion as at 31 December 2023, representing an increase of 622% as compared to RMB0.63 billion in 2022. For the year ended 31 December 2023, interest income from the Company's retail business amounted to approximately RMB180 million, representing an increase of 143% as compared to approximately RMB74 million last year.

The Company also provides financial consultation services in relation to automobile purchase financing activities to clients. For the year ended 31 December 2023, the Company recorded related income of approximately RMB81 million.

In terms of dealer loans business, no loan was disbursed in 2023 due to the suspension of the dealer loans business by the Company. As of 31 December 2023, the loan balance was RMB1.14 billion, remaining unchanged as compared to the end of 2022.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Amount of self-operated retail loans disbursed (RMB million)	<b>4,697</b>	101
Number of self-operated retail loan disbursed	<b>68,987</b>	413
Including: Standard self-operated loans	<b>68,987</b>	412
Joint loans	-	1

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

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

### Loan application review and approval phase

- reviewing loan application materials, including, among others, the applicants' identification materials, business license (if any), driving-related materials, and other requisite application materials (if needed); conducting necessary preliminary authentication of the identity of the loan applicants by the Company's Retail Business Department; leveraging on the third-party databases (such as the national enterprise credit information, Ministry of Public Security identity information platform, etc.), searching information and assessing the authenticity of the applicants' identity, the authenticity of the purchase, and the applicants' willingness and ability to repay the loan.
- pursuant to the approval authority, approving, denying or granting conditional approval to the loan applications based on the review of the loan applicants' credit profile or credit line by the Company's Retail Business Department, the Loan Approval Committee, the Risk Management Committee, the Board (if required).

### Loan disbursement phase

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Post-disbursement management phase

- providing post-disbursement service by the customer service team of the Company's Product Department, and actively monitoring the loans after disbursement by the Company's Risk Management Department. For those customers with overdue loans, the Company will carry out loan collection through legal and compliant loan collection procedures, or judicial proceedings.

The Company has also strengthened its risk management and control capacity with focuses on risk policies, risk monitoring and other aspects, including (1) optimizing of risk policies, refining management of channel classification, actively taking risk investigation and post-loan review, strengthening risk monitoring to control the assets quality for the newly disbursed loans; and (2) applying statistical principles and machine learning algorithms to optimize the data-based risk control model and enhance the ability of automated approval system to identify fraud risk and credit risk for retail customers.

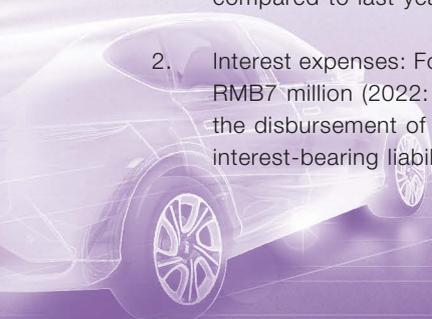
## FINANCIAL REVIEW

### Net Interest Income

The Company's net interest income increased by 43% to approximately RMB216 million in 2023 from approximately RMB151 million in 2022. Set forth below is a detailed breakdown:

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
<b>Interest income</b>		
Loans and advances to customers	180,384	137,225
Deposits with central bank and other banks	42,267	13,043
Finance lease receivables	17	290
	<b>222,668</b>	150,558
<b>Interest expenses</b>		
Placements from banks	(6,718)	–
Net interest income	<b>215,950</b>	150,558

- Interest income: For the year ended 31 December 2023, the Company recorded an interest income of approximately RMB223 million, representing an increase of 48% as compared to approximately RMB151 million in 2022. The Company's interest income mainly includes interest income from loans and advances to customers and interest income from deposits with central bank and other banks. The Company's interest income has increased due to the Company's active disbursement of automobile loans and an increase in the Company's loans portfolio as compared to last year.
- Interest expenses: For the year ended 31 December 2023, the Company's interest expenses were approximately RMB7 million (2022: nil), mainly due to the Company's placements from banks commenced in 2023 to support the disbursement of the Company's loan business. For the year ended 31 December 2023, the average cost of interest-bearing liabilities was 2.92% (2022: nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

## Non-interest Income

1. Net fee and commission income: Net fee and commission income of the Company for the year ended 31 December 2023 was approximately RMB88 million. Set forth below is a detailed breakdown:

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
Fee and commission income		
Joint loan services	4,085	16,645
Financial consultation services	80,935	–
Others	3,405	670
Sub-total	88,425	17,315
Fee and commission expenses		
Bank charges	(519)	(290)
Net fee and commission income	87,906	17,025

The Company's net fee and commission income mainly consisted of income from the provision of financial consultation services by the Company and fee income charged for joint-loan-related services. The Company's net fee and commission income in 2023 amounted to approximately RMB88 million, representing an increase of 416% as compared to 2022. It was mainly due to the conduct of financial consulting services related to automobile purchase financing activities during the year.

2. Other net expenses: In 2023, the Company's other net expenses amounted to approximately RMB0.3 million (2022: approximately RMB5 million), which mainly comprised the exchange loss.

## Operating Expenses

The operating expenses of the Company include staff costs, depreciation and amortization etc. For the year ended 31 December 2023, the Company's operating expenses amounted to approximately RMB202 million in aggregate which, representing an increase of 74% as compared to approximately RMB116 million in 2022, was mainly due to the increase in related staff costs and other business expenses as a result of the increase in the business volume of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Recognition (reversal) of impairment losses under ECL model

The Company has adopted the HKFRS 9 Expected Credit Loss Model to categorize the risk assets of the Company into three stages. For the year ended 31 December 2023, the Company recorded impairment losses amounted to approximately RMB0.04 billion (2022: reversal of impairment losses of approximately RMB0.53 billion). The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, and adjustments for forward-looking information. The categorization of loss stages is based on the number of days past due for each risk assets where (i) non-overdue assets are classified as the first loss stage; (ii) assets overdue within a period of 60-day (inclusive) are classified as the second loss stage; and (iii) assets overdue over for a period of 60-day are classified as the third loss stage. In addition to the aforementioned periods, the Company may also downgrade the loss stage on rare occasions according to, among others, information available concerning the relevant customers. Based on the Company's cautious assessment, there was an increase in the size of the Company's retail loans, and the Company's provision for impairment losses on loans and receivables increased as at 31 December 2023. For further details, please refer to notes 15 and 26(b) to the financial statements and the table set out below:

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
Loans and advances to customers	42,776	(453,641)
Other assets	1,662	(3,801)
Bills receivable	–	(75,235)
Finance lease receivables	(1,678)	963
<b>Total</b>	<b>42,760</b>	<b>(531,714)</b>

### Net Profit

For the year ended 31 December 2023, the Company recorded a net profit of approximately RMB56 million. The Company recorded a net profit of approximately RMB135 million in 2022. The decrease is mainly due to the significant reversal of impairment losses of the Company in the last year.

### Deposits with Central Bank

As at 31 December 2023, the Company's deposits with central bank amounted to approximately RMB3.5 million (2022: RMB0.5 million). The deposits with central bank mainly comprise statutory deposit reserves and surplus deposit reserves. In accordance with the rules set by the People's Bank of China, the Company has deposited the statutory deposit reserves.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Deposits with Banks

As at 31 December 2023, deposits with banks amounted to approximately RMB0.46 billion, representing a decrease of approximately RMB2.40 billion as compared to approximately RMB2.86 billion in 2022. It was mainly used for disbursement in the retail loans business.

### Loans and Advances to Customers

As at 31 December 2023, net loans and advances to customers amounted to approximately RMB4.42 billion (2022: RMB0.55 billion). The Company's loan business mainly consists of automobile loan business, among which, the gross balance of retail loans amounted to approximately RMB4.52 billion, representing an increase of 622% as compared to approximately RMB0.63 billion at the end of 2022, while the gross balance of dealer loans amounted to approximately RMB1.14 billion, remaining unchanged as compared to that as at 31 December 2022.

As at 31 December 2023, the Company's existing loan customers were all independent third parties. The aggregate net balance due from the Company's five largest borrowers accounted for approximately 0.06% (2022: 0.66%) of the Company's net loans and advances to customers.

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Retail loans</b>	<b>4,524,696</b>	626,288
<b>Dealer loans</b>	<b>1,141,250</b>	1,141,250
<b>Gross loans and advances to customers</b>	<b>5,665,946</b>	1,767,538
<b>Accrued interest</b>	<b>23,249</b>	1,452
<b>Less: allowances for impairment losses</b>	<b>(1,271,184)</b>	(1,214,051)
<b>Net loans and advances to customers</b>	<b>4,418,011</b>	554,939

## MANAGEMENT DISCUSSION AND ANALYSIS

Key terms of the Company's loan agreements include:

	For retail loan business	For dealer loan business
1. Principal amount	A fixed amount as set out in the loan agreement.	Revolving loans.
2. Interest rate	<p>a. Fixed interest rate: the Loan Prime Rate published by the National Interbank Funding Center ("LPR") plus/minus a rate adjustment, which are fixed throughout the term upon signing of the loan agreement; or</p> <p>b. Floating interest rate: the LPR (which may be reset during the term of the contract) plus/minus a rate adjustment.</p>	
3. Repayment terms	<p>Repayment types include:</p> <p>a. fixed monthly instalment;</p> <p>b. fixed monthly principal repayment;</p> <p>c. balloon repayment; and</p> <p>d. other repayment schedule as agreed otherwise.</p> <p>If the borrower fails to make any payment due on time (including the principal and interest due on the loan and other amounts contractually due from the borrower to the lender), the borrower shall pay overdue interest on the unpaid amount. The overdue interest rate is equal to the loan rate plus a fixed percentage increase.</p>	<p>Repayment after sale of car; or repayment upon the expiry of the loan term.</p> <p>If the borrower fails to make any payment due on time (including the principal and interest due on the loan and other amounts contractually due from the borrower to the lender), the borrower shall pay overdue interest on the unpaid amount. The overdue interest rate is equal to the loan rate plus a fixed percentage increase.</p>
4. Use of loan proceeds	The loan proceeds shall be used for the purchase of cars (including surcharges such as vehicle insurance, vehicle purchase tax, auto parts and accessories, and extended warranty).	The loan proceeds shall be used for the purchase of cars.



## MANAGEMENT DISCUSSION AND ANALYSIS

	For retail loan business	For dealer loan business
5. Security interests	The Company may request vehicle mortgage, third-party guarantee, and additional collateralized assets depending on the circumstances.	
6. Termination	In event of a breach of the loan agreement by the customers, the Company would be authorised under the agreement to, among others:	
	<ul style="list-style-type: none"> <li>• request additional guarantee;</li> <li>• accelerate the loan repayment date, such as declaring that all borrowings are immediately due or be repaid within a time limit; and</li> <li>• terminate the agreement unilaterally.</li> </ul>	

**Placements from Banks**

The Company's placements from banks as at 31 December 2023 were approximately RMB1.3 billion (2022: nil), which is mainly due to the Company's placements from banks commenced in 2023 to support the disbursement of the Company's loan business.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's liquidity requirements are mainly satisfied by equity capital contributions from Shareholders and placements from commercial banks, which provided strong financial support to the Company's loans business. As at 31 December 2023, the Company's deposits with banks amounted to approximately RMB0.46 billion, representing a decrease of approximately RMB2.40 billion as compared to approximately RMB2.86 billion as at the end of 2022. The Company's balance of placements from banks was approximately RMB1.3 billion (2022: nil). The total banking facilities available to the Company amounted to RMB9.0 billion and unutilised balance amounted to approximately RMB7.7 billion as at 31 December 2023.

The Company's capital adequacy ratio decreased from 191.50% as at 31 December 2022 to 85.40% as at 31 December 2023.

	As at 31 December	
	2023	2022
Core tier-one capital adequacy ratio	<b>84.31%</b>	191.03%
Tier-one capital adequacy ratio	<b>84.31%</b>	191.03%
Capital adequacy ratio	<b>85.40%</b>	191.50%
Liquidity ratio	<b>393.99%</b>	5,293.40%
Gearing ratio	<b>30.80%</b>	3.25%

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE RISK

As the Company carries out its business primarily in mainland China and settles in Renminbi, there are no material foreign exchange risks.

### MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the year ended 31 December 2023, there was no material acquisition and disposal of the Company's material assets.

### SIGNIFICANT INVESTMENT

As at 31 December 2023, the Company did not hold any significant investment in equity interest in any company.

### CHARGES ON ASSETS

As at 31 December 2023 and 31 December 2022, there were no charges on the Company's assets.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2023, the Company did not have any plans for material investments and capital assets.

### HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2023, the Company had 248 full-time employees in total. The Company has a team of highly educated and talented individuals. As at 31 December 2023, approximately 99.6% of the Company's employees held a bachelor's degree or above, and approximately 22.1% held a master's degree or above.

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. Details of the Company's staff costs are set out in note 8(a) to the financial statements.

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT LITIGATION AND ARBITRATION

During the year ended 31 December 2023, there was no litigation and arbitration which had a significant impact on the operating activities of the Company.

### CONTINGENT LIABILITIES

The Company did not have any material contingent liabilities as at 31 December 2023.

### CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

In 2024, as the size of the Chinese automotive market basically returns to pre-pandemic level, the potential for automotive consumption will be released at an accelerated pace, promoting steady development and growth in the industry, among which the proportion of consumption of new energy vehicles and second-hand cars will further increase. In 2024, the Company will focus on increasing the scale of automotive retail loans assets in the new energy sector and second-hand car sector, implement specific measures including further improving the coverage of second-hand car channel dealers, optimizing the operation mode of channel service providers, developing business cooperation with automobile manufacturers at headquarter level, and enhancing the competitiveness of new energy vehicle products. In 2024, the Company will focus on the following works:

First, in terms of new vehicles business, it will further optimize the channel service providers management system, promote channel service providers to increase investment more actively through policy adjustment, expand the service radius and the number of service automobile dealers, and maintain stable business growth;

Second, in terms of used car business, it will continue to deepen the Company's strategic policy of developing the used car business with high quality, and continue to enhance the competitiveness of the used car products on the premise of maintaining the leading asset bad debt rate in the industry, so as to create the Company's core profit driver in the next three years;

Third, in terms of business cooperation at headquarter level, it will further develop more business cooperation with automobile manufacturers, deeply explore the cooperation potential of commercial vehicle sector at headquarter level, integrate channel resources, and continue to develop a business system that promotes the sales volume of cooperative commercial vehicle automobile manufacturers with high-quality financial services; and

Fourth, in terms of new energy vehicle business, it will accelerate the business layout of relevant channels, optimize existing products according to the Company's business positioning, so as to meet the needs of new energy vehicle dealers and increase the proportion of new energy vehicle finance business.

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### CHAIRLADY AND NON-EXECUTIVE DIRECTOR

**Ms. Xu Ying**, aged 46, joined the Company as the chairlady and non-executive Director in February 2023. She is also the chairlady of the Risk Management Committee and a member of the Remuneration Committee and the Nomination Committee.

Ms. Xu is currently the secretary of the Party Committee of SAIC Finance, and has held such position since March 2021. Ms. Xu joined SAIC Finance in July 1999, and prior to assuming her current position, she served successively as an officer of the foreign exchange department, manager assistant, business manager, deputy manager and general manager of the financial department and deputy general manager of SAIC Finance. She has had over 24 years of experience in the automotive finance industry. She is currently a representative of the 16th Shanghai Municipal People's Congress.

Ms. Xu obtained a bachelor's degree in international finance from Shanghai International Studies University in 1999, and a master's degree in business administration (international) jointly conferred by the University of Hong Kong and Fudan University in 2012. Ms. Xu is an economist in the PRC.

### GENERAL MANAGER AND EXECUTIVE DIRECTOR

**Mr. Wu Zheng**, aged 36, joined the Company as the general manager and executive Director in February 2023, and is responsible for the overall operation and management of the Company. He is also a member of the Risk Management Committee.

Mr. Wu joined the SAIC Motor Group in July 2009, and prior to assuming his current position he served successively as warehouse inspector of SAIC Finance, account manager of SAIC Finance, regional marketing director of the passenger vehicle business department (marketing department I) of SAIC Finance, acting assistant general manager of the marketing and marketing support department of SAIC Finance, general manager of Shanghai Changfan, assistant general manager of the innovation and development department of SAIC Finance, assistant general manager of Anji Leasing, deputy general manager and general manager of the innovation and development department of SAIC Finance, and general manager of Anji Leasing. Mr. Wu has had over 14 years of experience related to the automotive finance industry.

Mr. Wu obtained a bachelor's degree in human resources management from Tianjin University of Commerce Boustead College in 2009.

### NON-EXECUTIVE DIRECTORS

**Dr. Zhou Qi**, aged 45, joined the Company as a non-executive Director in February 2023. He is a member of the Risk Manager Committee.

Dr. Zhou is currently the general counsel of SAIC Motor. He joined the SAIC Motor Group in April 2006, and served successively as an inhouse legal counsel, supervisor, deputy manager, manager, chief supervisor, deputy general manager and general manager of the legal affairs section of the legal department at SAIC Motor.

Dr. Zhou received his bachelor's degree in international economic law from Zhejiang University, the PRC in 2001, a master's degree in law from Ludwig Maximilian University of Munich, Germany in 2003, a master's degree in European and international economic law from Ludwig Maximilian University of Munich, Germany in 2004, and a doctorate in international law from East China University of Political Science and Law, the PRC in 2016. Dr. Zhou is a qualified lawyer and a qualified enterprise legal adviser in the PRC.



## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Lin Weihua**, aged 45, joined the Company as a non-executive Director in February 2023. She is a member of the Audit Committee and the Risk Management Committee.

Ms. Lin is currently the general manager of the finance department of SAIC Finance, a position which she has served since October 2022. Ms. Lin joined SAIC Finance in March 2003, and has successively served as officer, business supervisor, business manager, deputy general manager and general manager of the planning and finance department, the general manager of the fixed income department and the securities investment department of SAIC Finance from March 2003 to October 2022 before assuming her current position. Ms. Lin has had over 20 years of experience in the automotive finance industry.

Ms. Lin obtained a bachelor's degree in accounting from Shanghai Jiao Tong University in 2000 and a master's degree in accounting from Shanghai Jiao Tong University in 2003. She is also a certified public accountant in the PRC.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Man Chung Francis**, aged 59, joined the Company as an independent non-executive Director in February 2020. Mr. Wong is the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee and the Risk Management Committee.

Mr. Wong is currently a non-executive chairman of Union Alpha C.P.A. Limited, a non-executive director of Union Alpha CAAP Certified Public Accountants Limited, and a founding director and member of Francis M. C. Wong Charitable Foundation Limited. Mr. Wong holds a master's degree in management from Jinan University (暨南大學) in the PRC. He is also a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Society of Chinese Accountants and Auditors, and a Certified Tax Advisor of the Taxation Institute of Hong Kong. He is a practising certified public accountant and has over 30 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring or liquidation, family trust and wealth management. Mr. Wong is currently an independent non-executive director of the following companies listed on the Stock Exchange: Qeeka Home (Cayman) Inc. (stock code: 1739); Hilong Holding Limited (stock code: 1623); Greenheart Group Limited (stock code: 94); Integrated Waste Solutions Group Holdings Limited (stock code: 923); Wai Kee Holdings Limited (stock code: 610); Digital China Holdings Limited (stock code: 861), China Oriental Group Company Limited (stock code: 581) and IntelliCentrics Global Holdings Ltd. (stock code: 6819). During the period from April 2016 to May 2022, he served as an independent non-executive director of GCL Technology Holdings Limited (stock code: 3800).

**Ms. Liang Yanjun**, aged 40, joined the Company as an independent non-executive Director in August 2018. Ms. Liang is the chairlady of the Nomination Committee and a member of the Audit Committee, the Remuneration Committee and the Risk Management Committee.

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

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Qin Zheng**, aged 65, joined the Company as an independent non-executive Director in August 2022. Mr. Qin is a member of the Audit Committee and the Risk Management Committee.

Mr. Qin was a professor and doctoral supervisor of the School of Management of the Xi'an Jiaotong University and the School of Information Management and Engineering of the Shanghai University of Finance and Economics, and was a senior visiting scholar at The University of Sydney. Mr. Qin is currently a professor and doctoral supervisor of the College of Business of the Southern University of Science and Technology. In the course of 28 years of teaching, Mr. Qin took up various research projects from the national level, provincial level and from government and enterprises etc. He has published over 100 journals and over 10 academic publications and is well experienced in teaching and enterprise management. Mr. Qin received his master's degree and doctorate degree in engineering from Xidian University in the PRC. He is also an independent non-executive director of Cryofocus Medtech (Shanghai) Co., Ltd, a company listed on the Stock Exchange (stock code: 6922).

## SUPERVISORS

**Ms. Gu Xiaoqiong**, aged 59, joined the Company as the chairlady of the Board of Supervisors in February 2023.

Ms. Gu has been the general manager of the finance department of SAIC Motor since September 2016 and also the general manager of SAIC Motor Investment since September 2021. She has also been a director of Shanghai New Power Automotive Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange) since May 2015. Ms. Gu joined SAIC Motor in November 2009, and prior to assuming her current position with SAIC Motor and SAIC Motor Investment, she served successively as director (總監) and executive director (執行總監) of the finance department of SAIC Motor between November 2009 and September 2016.

Ms. Gu received her master's degree in international business from Maastricht School of Management, the Netherlands in 2002 and an executive master of business administration degree from Shanghai University of Finance and Economics, the PRC in 2012. She is a senior accountant in the PRC.

**Ms. Zhang Langman**, aged 39, was appointed as a Supervisor in February 2023. Ms. Zhang has been the general manager of retail business department II of the Company since February 2024. She was previously the department head of risk management department of the Company.

Prior to joining the Company in 2023, she served successively as senior supervisor of the risk management department of SAIC Finance, and risk management senior supervisor and risk management manager of Anji Leasing. Ms. Zhang received her bachelor's degree in international economy and trading from Anhui University of Technology, the PRC in July 2004 and a master's degree in industrial economics from Donghua University, the PRC in 2007.



## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Jia Lin**, 44, was appointed as a deputy general manager of the Company in February 2023. Mr. Jia is responsible for the management of departments relating to sales of the Company.

Prior to joining the Company, Mr. Jia served successively as assistant general manager and deputy general manager of Anji Leasing since 2018, as well as the general manager of Shanghai Changfan since 2020. Between 2011 and 2018, he also served various positions in SAIC Finance including sales supervisor and regional sales manager of passenger vehicle sales department, assistant general manager of wholesale department. He received his bachelor's degree in international economic law in 2002 from Shanghai University of Finance and Economics.

**Ms. Yu Hong**, 45, was appointed as deputy general manager of the Company in February 2023. Ms. Yu is responsible for the management of departments relating to risk management control of the Company.

Prior to joining the Company, Ms. Yu joined SAIC Finance in 2019 and has served various positions including deputy general manager of the risk management department, deputy general manager of innovation & development department and director of the credit assessment center. Ms. Yu obtained a bachelor's degree in marketing in 2001 and a master's degree in organizational management in 2004 from Tongji University.

**Mr. Ji Yijun**, 33, was appointed as the secretary to the Board in February 2023. Mr. Ji is responsible for the management of department relating to the Board.

Prior to joining the Company, Mr. Ji joined SAIC-GMAC Automotive Finance Company Limited in 2014 and has served various positions including senior supervisor of employee development of human resources department, executive assistant to chairman etc. Mr. Ji received a master of professional accountancy degree from the Chinese University of Hong Kong. Mr. Ji is an economist in the PRC.

**Mr. Xu Shuo**, aged 51, joined the Company in August 2017 and is the chief information officer of the Company. Mr. Xu is responsible for the management of departments relating to information technology of the Company.

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

**Mr. Hu Liwei**, 46, was appointed as the chief human resources officer of the Company in February 2023. He is responsible for the management of department relating to human resources and administration of the Company.

Prior to joining the Company, Mr. Hu served as the human resources director of Anji Leasing since 2021. He also served as the deputy general manager of human resources department of SAIC Finance between 2017 and 2021. He received a bachelor of arts degree in English in 2000 from the East China Institute of Politics and Law.

## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2023.

### PRINCIPAL ACTIVITIES

The principal activities of the Company comprise automotive loan business where the Company provides loans, direct leasing products and other financial services to end customers, major customers and corporate clients for purchases of vehicles in the PRC.

### RESULTS

The Company's results for the year ended 31 December 2023 and financial position as at 31 December 2023 are set out in pages 45 to 46 of this annual report.

### BUSINESS REVIEW

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

### FINANCIAL SUMMARY

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

### PLACEMENTS FROM BANKS

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

### PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Company during 2023 are set out in note 17 to the financial statements.

### SHARE CAPITAL

As at 31 December 2023, the aggregate share capital of the Company was RMB2,139,651,400, divided into 2,139,651,400 ordinary shares of the Company at RMB1 each, including 539,651,400 H Shares, 80,000,000 Domestic Shares and 1,520,000,000 Unlisted Foreign Shares. Details of movements in share capital for the year ended 31 December 2023 are set out in the statement of changes in equity and note 24 to the financial statements.



## REPORT OF THE DIRECTORS

### RESERVES

Details of movements in reserves of the Company for the year ended 31 December 2023 are set out in the statement of changes in equity and note 24 to the financial statements.

As at 31 December 2023, there were no distributable reserves by the Company as calculated in accordance with the PRC rules and regulations.

### DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2023 (2022: nil). No interim dividend has been declared by the Company in 2023 (2022: nil).

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

### RETIREMENT BENEFITS

Details of retirement benefits schemes of the Company are set out in note 8(a) to the financial statements. The Company made contributions to the retirement benefits scheme organised by respective local government authority of the PRC and the mandatory provident fund (“MPF”) scheme set up under the Mandatory Provident Fund Schemes Ordinance for its qualified employees in the PRC and Hong Kong respectively.

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

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

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the largest customer and the five largest customers in aggregate (on group basis) of the Company accounted for 26.0% and 30.5% of the Company's revenue for the year ended 31 December 2023 respectively. Due to the nature of the Company's business, the disclosure relating to major suppliers is not applicable.

As far as the Directors are aware, save for the largest customer of the Company being SAIC Motor Group, neither the Directors, their close associates, nor Shareholders who own more than 5% of the Shares as at 31 December 2023 had any interest in any of the five largest customers disclosed above.

### DIRECTORS AND SUPERVISORS OF THE COMPANY

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

#### Directors

Ms. Xu Ying (*Chairlady and non-executive Director*) (appointed on 14 February 2023)  
 Mr. Wu Zheng (*General Manager and executive Director*) (appointed on 14 February 2023)  
 Dr. Zhou Qi (*Non-executive Director*) (appointed on 14 February 2023)  
 Ms. Lin Weihua (*Non-executive Director*) (appointed on 14 February 2023)  
 Mr. Wong Man Chung Francis (*Independent non-executive Director*)  
 Ms. Liang Yanjun (*Independent non-executive Director*)  
 Mr. Qin Zheng (*Independent non-executive Director*)  
 Mr. Lin Fan (*Executive Director*) (resigned on 14 February 2023)  
 Mr. Shao Yongjun (*Executive Director*) (resigned on 14 February 2023)  
 Mr. Koh Tee Choong (*Non-executive Director*) (resigned on 14 February 2023)  
 Mr. Li Guozhou (*Non-executive Director*) (resigned on 14 February 2023)

#### Supervisors

Ms. Gu Xiaoqiong (*Chairlady*) (appointed on 14 February 2023)  
 Ms. Zhang Langman (appointed on 14 February 2023)  
 Ms. Wang Qing (resigned on 13 March 2023)  
 Mr. Li Huihua (resigned on 14 February 2023)  
 Ms. Wu Liyue (resigned on 14 February 2023)

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

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

As at 31 December 2023, none of the Directors, Supervisors, chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register required to be kept under section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange under the Model Code.



## REPORT OF THE DIRECTORS

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2023, the interests or short positions of the other persons (other than Directors, Supervisors, and the chief executive of the Company) in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued ordinary Shares (%)
SAIC Motor	Unlisted Foreign Shares	Long	Beneficial owner	1,520,000,000	100.00	71.04
	H Shares	Long	Beneficial owner	392,248,601	72.69	18.33
Shanghai Automotive Industry Corporation (Group)	Unlisted Foreign Shares	Long	Interest of corporation controlled by substantial shareholder <sup>1</sup>	1,520,000,000	100.00	71.04
	H Shares	Long	Interest of corporation controlled by substantial shareholder <sup>2</sup>	392,248,601	72.69	18.33
	Domestic Shares	Long	Beneficial owner <sup>3</sup>	80,000,000	100.00	3.74
Dongfeng Motor Corporation <sup>4</sup>	Domestic Shares	Long	Beneficial owner	80,000,000	100.00	3.74
Global Precise Assets Limited	H Shares	Long	Beneficial owner	80,000,400	14.82	3.74
Xingtai Capital Management Limited	H Shares	Long	Investment manager <sup>5</sup>	40,000,000	7.41	1.87

## Notes:

- Such information is extracted from the corporate substantial shareholder notice of Shanghai Automotive Industry Corporation (Group) filed on 23 May 2022 as shown on the website of the Stock Exchange.
- Such information is extracted from the corporate substantial shareholder notice of Shanghai Automotive Industry Corporation (Group) filed on 7 October 2022 as shown on the website of the Stock Exchange.
- Such information is extracted from the corporate substantial shareholder notice of Shanghai Automotive Industry Corporation (Group) filed on 29 December 2023 as shown on the website of the Stock Exchange.
- Dongfeng Motor Corporation entered into an agreement regarding the proposed gratuitous transfer of all its 80,000,000 Domestic Shares to Shanghai Automotive Industry Corporation (Group). Completion of this transfer is subject to obtaining further approvals from relevant local authorities. Please refer to the announcement dated 29 December 2023 of the Company for further details of the transfer.
- Such information is extracted from the corporate substantial shareholder notice of Xingtai Capital Management Limited filed on 5 October 2022 as shown on the website of the Stock Exchange.

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO.

## REPORT OF THE DIRECTORS

### CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

As at 31 December 2023, none of the Directors nor Supervisors had entered into a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of remunerations for the Directors and Supervisors for the year ended 31 December 2023 are set out in note 10 to the financial statements.

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

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

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

Particulars of contracts of significance between the Company and Shanghai Automotive Industry Corporation (Group) or its subsidiaries or contracts of significance for the provision of services to the Company by Shanghai Automotive Industry Corporation (Group) or its subsidiaries are set out under section headed "Continuing Connected Transactions" in this annual report.

### DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2023 was the Company a party to any arrangement to enable the Directors or Supervisors to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

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



## REPORT OF THE DIRECTORS

**CONTINUING CONNECTED TRANSACTIONS**

For the year ended 31 December 2023, the continuing connected transactions between the Company and SAIC Motor and its associates (as defined under the Listing Rules) were as follows:

**(i) Automotive Loan Services Framework Agreement**

Date:	7 December 2022
Parties:	(1) The Company (2) SAIC Motor
Scope and purpose of services:	Members of SAIC Motor Group agreed to provide loan-related services to the Company to promote the Company's automotive loan business.
Term:	Two years commencing on 1 January 2023 and ending on 31 December 2024 (both days inclusive).
Pricing:	The loan-related service fee shall be determined based on market price of comparable services to be provided to the Company by independent third parties having regard to various factors including nature of the loan, duration of the loan, interest rate, and the brand of automobile involved, etc.

The annual cap and the actual amount of the loan-related service fee for the year ended 31 December 2023 is RMB100 million and RMB0 respectively.

Please refer to the announcement dated 7 December 2022 and the circular dated 13 December 2022 of the Company for further details of the transactions.

**(ii) Automotive Financial Services Framework Agreement**

Date:	7 December 2022
Parties:	(1) The Company (2) SAIC Motor
Scope and purpose of services:	The Company agreed to provide financial consultation services in relation to automobile purchase financing activities to members of SAIC Motor Group by deploying its existing resources to create new income stream and increase the revenue to the Company.
Term:	Two years commencing on 1 January 2023 and ending on 31 December 2024 (both days inclusive).
Pricing:	The financial service fee shall be determined on the basis of the standard of fees paid by other industry players for comparable services obtained through market research with reference to nature of the automobile purchase financing, the financing amount, duration, interest rate, brand of automobile involved, complexity of the projects and the amount of resources and costs expected to be invested by the Company, etc.

The annual cap and the actual amount of the financial service fee for the year ended 31 December 2023 is RMB200 million and RMB81 million respectively.

Please refer to the announcement dated 7 December 2022 and the circular dated 13 December 2022 of the Company for further details of the transactions.

## REPORT OF THE DIRECTORS

### (iii) Financial Services Agreement

Date:	19 May 2023
Parties:	(1) The Company (2) SAIC Finance
Scope and purpose of services:	SAIC Finance agreed to provide certain deposit services to the Company to facilitate the Company to increase the efficiency of fund utilisation with low financial risks.
Term:	Commencing on the later of (i) the date of fulfillment of the conditions in accordance with the Listing Rules; and (ii) 1 July 2023, and shall end on 30 Jun 2026.
Pricing:	The interest rate for the deposit, subject to the compliance with relevant requirement of the People's Bank of China, shall make reference to the relevant market interest rates and fee standards and be determined in accordance with the principles of fairness and reasonableness and industry self-discipline requirements.

The annual cap and the actual maximum daily balance (including interests) of the Company's deposits with SAIC Finance for the year ended 31 December 2023 is RMB3 billion and RMB0 respectively.

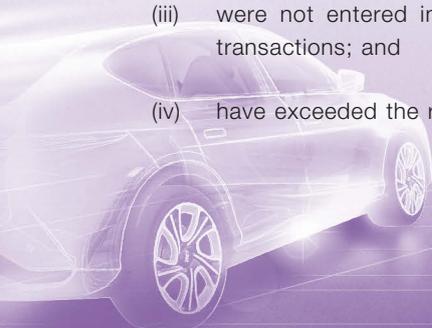
Please refer to the announcement dated 19 May 2023 and the circular dated 30 May 2023 of the Company for further details of the transactions.

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged Deloitte Touche Tohmatsu, its independent external auditor, to perform certain procedures in respect of the continuing connected transactions undertaken by the Company for the year ended 31 December 2023. Deloitte Touche Tohmatsu has confirmed that nothing has come to their attention that causes them to believe the continuing connected transactions:

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



## REPORT OF THE DIRECTORS

The Directors consider that save as disclosed above, the material related party transactions disclosed in note 27 to the financial statements constituted de minimis connected transactions which are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules in respect of those transactions.

### TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

### PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2023, the Company did not purchase, sell or redeem any of the Company's listed securities.

### PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2023 and as at date of approval of this report, the Company has arranged appropriate directors' and officers' liability insurance cover in respect of losses or liabilities which may be sustained or incurred by the Directors in the execution of the duties of his/her office or otherwise in relation thereto.

### IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant and important events requiring disclosure that have taken place subsequent to 31 December 2023 and up to the date of this report.

### CORPORATE GOVERNANCE

For the year ended 31 December 2023, the Company has complied with all code provisions of the Corporate Governance Code. Details are set out in the section headed "Corporate Governance Report".

### AUDITOR

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP will retire and, being eligible, offer themselves for re-appointment as the overseas and domestic auditors at the forthcoming annual general meeting of the Company.

## REPORT OF THE DIRECTORS

### SUFFICIENCY OF PUBLIC FLOAT

Pursuant to the announcement dated 6 October 2022 of the Company, following the close of the Offers, 147,402,799 H Shares, representing approximately 6.89% of all issued Shares, were held by the public (within the meaning of the Listing Rules). Accordingly, the minimum public float requirement of 25% of the Shares as set out in Rule 8.08(1)(a) of the Listing Rules is not satisfied since 6 October 2022 and that trading in the H Shares on the Stock Exchange has been suspended since 9:00 a.m. on 7 October 2022. The Company applied to the Stock Exchange for, and the Stock Exchange granted the Company temporary waivers from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 6 October 2022 to 6 April 2024.

For further details of the insufficiency of public float, please refer to the announcements of the Company dated 6 October 2022, 7 October 2022, 12 December 2022, 30 December 2022, 6 January 2023, 6 April 2023, 6 July 2023, 3 October 2023 and 3 January 2024. The Company will make further announcement(s) to keep the Shareholders and potential investors informed of any progress as and when appropriate.

By order of the Board

**Wu Zheng**

*General Manager and Executive Director*

28 March 2024



## REPORT OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors of Shanghai Dongzheng Automotive Finance Co., Ltd. conscientiously performed its supervisory and other duties, and honored its commitments to supervise and manage in strict compliance with the Articles of Association. This ensured a sound and stable development of the Company, and safeguarded the legal interests of the Shareholders as a whole. By inspecting relevant documents, information of the Company, financial reports, as well as attending Board meetings and the Shareholders' general meetings, the Board of Supervisors effectively supervised the operation status, financial positions, connected transactions and internal control of the Company. During the reporting period, the Board of Supervisors formed independent opinions on such matters of the Company as follows:

### I. PERFORMANCE OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors held four meetings. The number of Supervisors in attendance formed sufficient quorums of the meetings.

The first meeting of the Board of Supervisors was held in March 2023, at which, among others, the annual work report of the Company for 2022 and the 2023 business plan; 2022 external audit report; 2022 profit distribution proposal; 2023 performance appraisals plan; the comprehensive risk management report and the comprehensive risk stress testing report were reviewed and approved.

The second meeting of the Board of Supervisors was held in August 2023, at which, among others, the interim report; the internal audit report for the first half of 2023; the comprehensive risk management report for the first half of 2023; and the 2023 interim dividend plan were reviewed and approved.

The third meeting of the Board of Supervisors was held in December 2023, at which the 2023 external audit plan was reviewed and approved.

The fourth meeting of the Board of Supervisors was held in December 2023, at which the remuneration of the Directors and Supervisors for 2023 was reviewed and approved.

The Board of Supervisors focuses on the supervision and assessment of the performance of the Directors, Supervisors and senior management. In 2023, in accordance with laws and regulations, including the Guidelines for the Performance Assessment and Supervision of Banking Financial Institutions (銀行業金融機構績效考評監管指引), the Guidelines for Corporate Governance of Commercial Banks (商業銀行公司治理指引), and the Guidelines for the Work of the Board of Supervisors of Commercial Banks (商業銀行監事會工作指引), and based on the actual circumstances of the Company, the Board of Supervisors conducted assessments from five dimensions, including loyalty, diligence, professionalism, independence and ethical standards, and compliance.

## REPORT OF THE BOARD OF SUPERVISORS

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

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

Following supervision on the Directors and senior management of the Company, the Board of Supervisors is of the view that the Board performed their work in 2023 in strict compliance with the Company Law, the Securities Law, the Listing Rules of the Hong Kong Stock Exchange, the Articles of Association and other relevant laws, rules and regulations. The Board of Supervisors also considers that all Directors were meticulous and responsible for their work, made operating decisions in a scientific and democratic manner, and thoroughly implemented the internal control system. The decision of the Company on significant matters was reasonable and the decision-making procedures were legal and valid. The Directors and the senior management of the Company complied with the requirements of laws, administrative regulations and the Article of Association in performing their duties, and diligently acted in good faith to safeguard the interests of the Company.

In 2024, the Board of Supervisors will strictly follow the relevant requirements under the Company Law, the Securities Law and the Articles of Association, and supervise the performance and conduct of the Board and senior management in accordance with laws. In compliance with the requirements of the modern enterprise system, the Board of Supervisors will also urge the Company to enable all staff to have an in-depth understanding of the rules and regulations of the Company and improve the standard of governance. In addition, the Board of Supervisors will continue to enhance and fulfill its supervisory function, conscientiously perform its duties, and attend meetings of the Board according to the law. In doing so, it will keep abreast with the decision-making of material matters of the Company as well as the legitimacy of relevant procedures so as to better protect the interests of the Company and the Shareholders.

By order of the Board of Supervisors

**Gu Xiaoqiong**  
*Chairlady*

28 March 2024



## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRACTICES

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

The Board is of the view that during the year ended 31 December 2023, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code.

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

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

The Company has adopted the Model Code regarding securities transaction by the Directors and the Supervisors. The Company has made specific enquiries to all the Directors and Supervisors and they have confirmed that each of them has complied with the Model Code for the year ended 31 December 2023.

### BOARD OF DIRECTORS

#### Board Composition

As at the date of this report, the Board consists of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors.

The Directors of the Company for the year ended 31 December 2023 and up to the date of this report were:

Ms. Xu Ying (*Chairlady and non-executive Director*) (appointed on 14 February 2023)  
Mr. Wu Zheng (*General Manager and executive Director*) (appointed on 14 February 2023)  
Dr. Zhou Qi (*Non-executive Director*) (appointed on 14 February 2023)  
Ms. Lin Weihua (*Non-executive Director*) (appointed on 14 February 2023)  
Mr. Wong Man Chung Francis (*Independent non-executive Director*)  
Ms. Liang Yanjun (*Independent non-executive Director*)  
Mr. Qin Zheng (*Independent non-executive Director*)  
Mr. Lin Fan (*Executive Director*) (resigned on 14 February 2023)  
Mr. Shao Yongjun (*Executive Director*) (resigned on 14 February 2023)  
Mr. Koh Tee Choong (*Non-executive Director*) (resigned on 14 February 2023)  
Mr. Li Guozhou (*Non-executive Director*) (resigned on 14 February 2023)

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

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

## CORPORATE GOVERNANCE REPORT

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

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

### **Responsibilities**

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

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

The Company recognises that the independence of the Board is a key element of good corporate governance. In order to ensure that independent views and input are available to the Board, the Company has established mechanisms, which are reviewed by the Board on an annual basis, including but not limited to entitling the Directors and Committees members to seek independent professional advice on matters relating to the Company where appropriate at the Company’s expense; conducting annual meeting between the chairperson of the Company and the independent non-executive Directors without the presence of management of the Company; and creating open communication channels between the Company and the Directors.

### **Delegation by the Board**

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

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

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

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



## CORPORATE GOVERNANCE REPORT

### ***Appointment and Re-election of Directors***

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

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

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

### ***Board Diversity***

The Company has adopted a board diversity policy (the "Board Diversity Policy") pursuant to which the Company considers whether a candidate will bring potential complementary benefits to the Board and contribute to the improvement of the overall competence, experience and expertise of the Board. The Company also considers the diversity of the composition of the Board in various aspects, including professional experience and qualifications, gender, age, ethnicity, and cultural and educational background, as well as any other factors that the Board from time to time deems relevant and appropriate. The Company considers that it has complied with the Board Diversity Policy. Specifically, as at the date of this report, the Board comprises seven Directors, four of which are male Directors and three of which are female Directors, with different age, educational background and professional experience. Selection of candidates will be based on a range of diversity perspectives, including but not limited to experience and expertise, professional experience and qualifications, gender, age, ethnicity and cultural and educational background. The Board and the Nomination Committee will review the above board diversity policy as and when appropriate to ensure its effectiveness.

At the Company's senior management and entire workforce level, approximately 20% and 40% of them are female respectively. The Company considered it has achieved gender balance at all levels, and shall strive to maintain not less than 20% of personnels with different gender across all three levels (i.e. the Board, senior management and entire workforce level) through nomination, recruitment and promotion processes.

### ***Induction and Continuing Development of Directors***

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

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

## CORPORATE GOVERNANCE REPORT

## CHAIRLADY AND GENERAL MANAGER

As at the date of this report, the posts of chairlady and general manager of the Company are held separately by Ms. Xu Ying (non-executive Director) and Mr. Wu Zheng (executive Director), respectively, neither of whom have any financial, business, family or other relationship with each other. This separation ensures that there is a clear division of responsibilities of the management of the Board and the day-to-day management of business of the Company to ensure a balance of power and authority. The general manager of the Company is responsible for leading the day-to-day management of the Company, implementing the strategic plans and business goals of the Company and formulating and recommending business plans and budgets to the Board whereas the chairlady of the Board is responsible for leading the Board and ensuring good corporate governance practices and procedures are established.

## ATTENDANCE RECORDS

The attendance of the Directors at the general meetings, Board meetings and Committee meetings for the year ended 31 December 2023 was as follows:

Members of the Board of Directors	Number of Meeting Attended/Held during Tenure of Office						Risk
	General Meetings	Board	Audit Committee	Remuneration Committee	Nomination Committee	Management Committee	
Ms. Xu Ying ( <i>Chairlady and non-executive Director</i> )*	2/2	5/5	N/A	2/2	1/1	3/3	
Mr. Wu Zheng ( <i>General Manager and executive Director</i> )*	2/2	5/5	N/A	N/A	N/A	3/3	
Dr. Zhou Qi ( <i>Non-executive Director</i> )*	2/2	5/5	N/A	N/A	N/A	3/3	
Ms. Lin Weihua ( <i>Non-executive Director</i> )*	2/2	5/5	3/3	N/A	N/A	3/3	
Mr. Wong Man Chung Francis ( <i>Independent non-executive Director</i> )	2/2	5/5	3/3	2/2	1/1	3/3	
Ms. Liang Yanjun ( <i>Independent non-executive Director</i> )	2/2	5/5	3/3	2/2	1/1	3/3	
Mr. Qin Zheng ( <i>Independent non-executive Director</i> )	2/2	5/5	3/3	N/A	N/A	3/3	
Mr. Lin Fan ( <i>Executive Director</i> )#	N/A	N/A	N/A	N/A	N/A	N/A	
Mr. Shao Yongjun ( <i>Executive Director</i> )#	N/A	N/A	N/A	N/A	N/A	N/A	
Mr. Koh Tee Choong ( <i>Non-executive Director</i> )#	N/A	N/A	N/A	N/A	N/A	N/A	
Mr. Li Guozhou ( <i>Non-executive Director</i> )#	N/A	N/A	N/A	N/A	N/A	N/A	

\* appointed on 14 February 2023

# resigned on 14 February 2023

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



## CORPORATE GOVERNANCE REPORT

### BOARD AND COMMITTEE MEETINGS

#### Board Practices and Conduct of Meetings

During the year ended 31 December 2023, the Company held a total of 5 Board meetings by way of physical meetings or teleconference. At the Board meetings, the Board reviewed and approved annual results for the year ended 31 December 2022, interim results for the six months ended 30 June 2023 and other significant matters of the Company including the proposed continuing connected transactions of the Company.

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

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

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

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

During the year ended 31 December 2023, the chairman of the Company has, in accordance with the relevant requirement under the Corporate Governance Code, held a meeting with all independent non-executive Directors without the presence of other Directors.

### BOARD COMMITTEES

The Board has established four committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs. The Remuneration Committee, the Nomination Committee, the Audit Committee and the Risk Management Committee are established with defined written terms of reference. These terms of reference are posted on the websites of the Company and the Stock Exchange and are available for inspection by the Shareholders upon request. These committees are provided with sufficient resources to discharge their duties and are required to report to the Board on their decisions or recommendations. During the year ended 31 December 2023, 2 meetings of the Remuneration Committee, 1 meeting of the Nomination Committee, 3 meetings of the Audit Committee and 3 meetings of the Risk Management Committee were held by way of physical meetings or teleconference respectively.

#### Remuneration Committee

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

## CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2023, the Remuneration Committee held 2 meetings by way of teleconference. The Remuneration Committee has performed the following works during the year: (i) considering and reviewing the remuneration policies and strategies of the Company; (ii) assessing the performance of executive Directors and senior management; and (iii) making recommendations to the Board on remuneration of Directors and senior management.

Details of remuneration of the Directors are set out in note 10 to the financial statements. Details of remuneration of senior management of the Company for the year ended 31 December 2023 by band are as follows:

	Number of senior management
RMB0–RMB1,000,000	3
RMB1,000,001–RMB2,000,000	2

### Nomination Committee

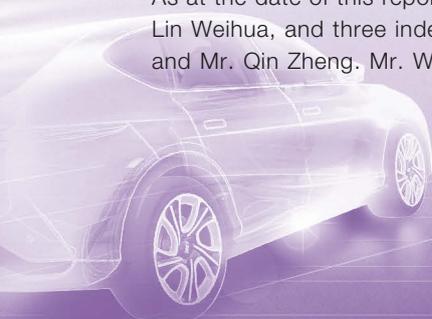
As at the date of this report, the Nomination Committee comprises three members, including one non-executive Director, Ms. Xu Ying, and two independent non-executive Directors, Ms. Liang Yanjun and Mr. Wong Man Chung Francis. Ms. Liang is the chairlady of the Nomination Committee.

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

During the year ended 31 December 2023, the Nomination Committee held 1 meeting by way of teleconference. The Nomination Committee has performed the following works during the year: (1) reviewing the structure, size, board diversity and composition of the Board to ensure the professional knowledge, skills and experience of the Board to meet the business needs of the Company; and (2) reviewing the confirmation of independence and assessing independence of independent non-executive Directors.

### Audit Committee

As at the date of this report, the Audit Committee comprises four members, including one non-executive Director, Ms. Lin Weihua, and three independent non-executive Directors, namely Mr. Wong Man Chung Francis, Ms. Liang Yanjun and Mr. Qin Zheng. Mr. Wong is the chairman of the Audit Committee.



## CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2023, the Audit Committee held 3 meetings by way of physical meetings or teleconference. The Audit Committee has performed the following works during the year: (i) reviewing the annual results for the year ended 31 December 2022; (ii) reviewing the interim results for the six months ended 30 June 2023; (iii) reviewing the financial reporting procedures and compliance procedures, as well as the report of internal audit on internal controls and risk management system; and (iv) discussing with external auditors the nature and scope of the audit and reporting obligations.

### Risk Management Committee

As at the date of this report, the Risk Management Committee comprises seven members, namely Ms. Xu Ying (non-executive Director), Mr. Wu Zheng (executive Director), Dr. Zhou Qi (non-executive Director), Ms. Lin Weihua (non-executive Director), Mr. Wong Man Chung Francis (independent non-executive Director), Ms. Liang Yanjun (independent non-executive Director) and Mr. Qin Zheng (independent non-executive Director). Ms. Xu is the chairlady of the Risk Management Committee.

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

During the year ended 31 December 2023, the Risk Management Committee held 3 meetings by way of teleconference. The Risk Management Committee has performed the following works during the year: (i) evaluation of the Company's risk policies; and (ii) proposing improvements to risk management policies and procedures to the Board.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

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

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

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE FUNCTIONS

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

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

The Company's vision is to become the leading automotive finance company in the PRC and accordingly it has developed a set of values and strategy which guide its operation. The Company's vision has been considered with significance when formulating the Company's internal policies as well as during the decision-making processes such that the Company would not take undue risks to make short term gains at the expense of such long term objectives.

### EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company in respect of its reporting responsibilities for the financial statements is set out in the section headed "Independent Auditor's Report" on page 40.

The aggregate remuneration received by the Company's auditors during the year ended 31 December 2023 is set out below:

Category of Services	Fee Paid/Payable (RMB'000)
Audit Services	359
Non-audit Services	396
<b>Total</b>	<b>755</b>

Note: The non-audit services conducted by the external auditor mainly include the review service of interim financial information.



## CORPORATE GOVERNANCE REPORT

### DIVIDEND POLICY

The Board has the absolute discretion to recommend any dividend, which will be subject to the approval of the Shareholders. Any payment and amount of any dividends will depend on the Company's earnings and financial condition, operating requirements, capital requirements and any other factors that the Company may consider relevant.

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Company established an internal audit function and environmental, social and governance ("ESG") committee to assist the Board to monitor the risk management and internal control systems and is committed to conducting, at least annually, a review of the effectiveness of the risk management and internal control systems of the Company, including adequacy of resources, qualifications and experience of the accounting and financial reporting personnel of the Company, and the training programmes and budget thereof as well as those relating to the Company's ESG performance and reporting. The Company has formulated the "Management Guidelines for Information Disclosure" which governs the procedures and internal controls for the handling and dissemination of inside information of the Company.

The Board, through the Risk Management Committee and the Audit Committee, has conducted a review on the risk management and internal control systems of the Company during the year ended 31 December 2023. Such review covered the finance, operation, supervision and risk management of the Company. The Board confirmed that the risk management and internal control systems of the Company are sound, effective and sufficient.

### COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

To facilitate communication, the Company maintains a website at <http://www.dongzhengafc.com>, where updates on the Company's structure, the Board, business developments and operations, financial information, corporate governance practices and other information are posted for public access. Shareholders can communicate their views through the Investor Contact section of the Company's website.

Having considered the above communication efforts and channels, the Company considers the Shareholders communication policy is effective and sufficient during the year.

## CORPORATE GOVERNANCE REPORT

### COMPANY SECRETARY

As at the date of this report, Mr. Ji Yijun and Mr. Chan Pak Hung are joint company secretaries of the Company. Both of them are employees of the Company and have appropriate understanding of the Company's business. As joint company secretaries, they are responsible for supporting the daily operation of the Board and ensuring compliance with the policies and procedures of the Board. All of the Directors can access opinions and use the service of the joint company secretaries to ensure that the procedures of the Board and the applicable laws, rules and regulations are being complied with. The joint company secretaries met the requirement on professional training under the Rule 3.29 of the Listing Rules in 2023.

### RIGHTS OF SHAREHOLDERS

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

#### Procedures for Shareholders to convene an extraordinary general meeting

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

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

#### Procedures for Shareholders to submit proposal in a general meeting

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



## CORPORATE GOVERNANCE REPORT

### Procedures for Shareholders to make enquiries to the Company

For matters in relation to the Board, the Shareholders may contact the Company at Suites 3901-3903, 39th Floor, Tower 2, Times Square, No.1 Matheson Street, Causeway Bay, Hong Kong.

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

## CONSTITUTIONAL DOCUMENTS

The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange. The Articles of Association has been amended during the year 2023 in relation to the change of registered address and business scope of the Company. For details, please refer to the announcements dated 21 October 2022, 15 November 2022, 19 September 2023, 28 September 2023 and 17 October 2023 and circulars dated 28 October 2022 and 26 September 2023 of the Company.

In order to comply with the Corporate Governance Standards for Banking or Insurance Institutions (銀行保險機構公司治理準則) and the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items concerning Non-Banking Financial Institutions (2020) (中國銀保監會非銀行金融機構行政許可事項實施辦法(2020)) issued by the China Banking and Insurance Regulatory Commission, and the amended Appendix 3 (now restructured as Appendix A1) of the Listing Rules, which aligns with the Consultation Conclusions on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, as well as to make some other housekeeping amendments of the Company, on 29 June 2023, the Company convened the annual general meeting to approve, among others, the proposed amendments to the Articles of Association. The proposed amendments will become effective after the Company has obtained approval from banking regulatory authorities in the PRC. For details, please refer to the announcements dated 19 May 2023 and 29 June 2023 and circular dated 30 May 2023 of the Company.

The Company will make further announcement(s) to keep the Shareholders and potential investors informed of any progress as and when appropriate.

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHANGHAI DONGZHENG AUTOMOTIVE FINANCE CO., LTD.  
*(A joint stock company incorporated in the People's Republic of China with limited liability)*

### OPINION

We have audited the financial statements of Shanghai Dongzheng Automotive Finance Co., Ltd. (the "Company") set out on pages 45 to 108, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the key audit matter
<b>Expected credit loss allowances of loans and advances to customers</b>	
<p>We identified expected credit loss (“ECL”) allowances of loans and advances to customers as a key audit matter due to the significance to the Company’s financial position and significant management judgement and estimates involved in evaluating the ECL estimates.</p> <p>As at 31 December 2023, the Company’s net carrying amount of loans and advances to customers measured at amortised cost amounted to RMB4,418,011 thousand (net of ECL allowance of RMB1,271,184 thousand), representing 90% of total assets of the Company.</p> <p>Key judgements and estimates in respect of the measurement of ECLs include, i) the significant management judgement and estimate of ECL model design and its application, ii) the identification of significant increase in credit risk and credit impairment events, iii) the determination of inputs used in the ECL model as well as determination of the forward-looking information to incorporate, iv) the determination of key parameters used in discounted cash flow assessment in respect of stage 3 dealer loans including recoverable cash flows and discount rates, and, v) the management overlay adjustments for significant uncertain factors not covered in the ECL model.</p>	<p>Our audit procedures to assess the ECL allowances of loans and advances to customers included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding and assessing the key internal controls relating to i) the approval of ECL model, ii) the identification of significant increase in credit risk and credit impairment events.</li> <li>• with the assistance of our internal specialists, challenging the Company’s basis and judgements in determining ECL on loans and advances to customers as at 31 December 2023, assessing the appropriateness of the Company’s ECL model and methodology in determination of inputs used in the ECL model, including probability of default, loss given default, exposure at default, the selection of economic indicators, multiple macro-economic scenarios and weightings in the forward-looking adjustments.</li> <li>• obtaining credit analysis performed by management based on the qualitative and quantitative indicators, including overdue status, historical repayment records, business operating and financial information of the customers, and assessing the appropriateness of the management’s identification of significant increase in credit risk and credit impairment events on sample basis.</li> <li>• assessing the completeness and accuracy of inputs used in the ECL model on sample basis.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
<b>Expected credit loss allowances of loans and advances to customers</b>	
<p>The Company uses the ECL model to calculate the loss allowance in accordance with Hong Kong Financial Reporting Standard 9 – <i>Financial Instruments</i>. The Company classifies loans and advances to customers into three different stages and recognises an impairment allowance based on the ECL for the next 12 months or the entire lifetime of the loans and advances to customers, depending on whether credit risk on that loans and advances to customers has increased significantly since initial recognition.</p> <p>Refer to Note 3.2, Note 4, Note 8(b), Note 15, and Note 26(b) to the financial statements for accounting policy and relevant disclosures.</p>	<ul style="list-style-type: none"> <li>for those dealer loans classified into stage 3, examining the loss allowance calculated by the Company based on forecasted cash flows derived from the financial information of customers and guarantors and other available information, if any, using discounted cash flow model.</li> <li>recalculating the ECL allowances of loans and advances to customers made by management.</li> <li>assessing the reasonableness of the consideration, selection and application of significant uncertain factors in relation to the management overlay adjustments, and recalculating the management overlay adjustments.</li> </ul>

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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



## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (CONTINUED)

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Shi Chung Fai.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

28 March 2024



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Interest income		222,668	150,558
Interest expenses		(6,718)	–
<b>Net interest income</b>	5	<b>215,950</b>	150,558
Fee and commission income		88,425	17,315
Fee and commission expenses		(519)	(290)
<b>Net fee and commission income</b>	6	<b>87,906</b>	17,025
Other net expenses	7	(273)	(4,902)
<b>Operating income</b>		<b>303,583</b>	162,681
Operating expenses		(202,263)	(115,719)
(Recognition) reversal of impairment losses under expected credit loss model	8(b)	(42,760)	531,714
Finance costs		(171)	(605)
<b>Profit before tax</b>	8	<b>58,389</b>	578,071
Income tax	9	(2,201)	(442,974)
<b>Profit and total comprehensive income for the year</b>		<b>56,188</b>	135,097
<b>Earnings per share</b>			
Basic and diluted (RMB)	12	0.0263	0.0631

The accompanying notes form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

at 31 December 2023

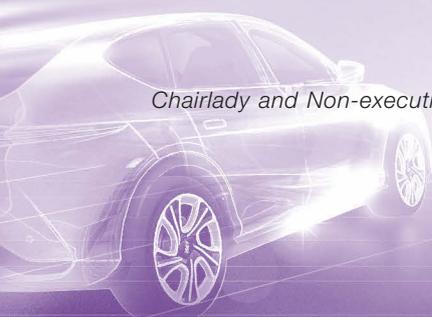
	Notes	2023 RMB'000	2022 RMB'000
<b>Assets</b>			
Deposits with central bank	13	3,543	491
Deposits with banks	14	455,861	2,861,602
Loans and advances to customers	15	4,418,011	554,939
Finance lease receivables	16	–	14
Property and equipment	17	13,371	6,565
Intangible assets		1,285	1,156
Tax recoverables	22(a)	–	12,143
Deferred tax assets	22(b)	36,426	20,275
Other assets	18	7,709	15,141
<b>Total assets</b>		<b>4,936,206</b>	<b>3,472,326</b>
<b>Liabilities</b>			
Placements from banks	19	1,306,005	–
Guarantee deposits	20	69,100	24,423
Lease liabilities	21	6,120	4,282
Tax payables	22(a)	3,524	–
Other liabilities	23	135,705	84,057
<b>Total liabilities</b>		<b>1,520,454</b>	<b>112,762</b>
<b>NET ASSETS</b>		<b>3,415,752</b>	<b>3,359,564</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	24(a)	2,139,651	2,139,651
Reserves	24(b)	1,276,101	1,219,913
<b>TOTAL EQUITY</b>		<b>3,415,752</b>	<b>3,359,564</b>

The accompanying notes form an integral part of the financial statements.

The financial statements on pages 45 to 108 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

*Chairlady and Non-executive Director*

*General manager, Executive Director and the principal person in charge of accounting affairs*



**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2023

	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General risk reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>Balance at 1 January 2022</b>	2,139,651	1,173,857	89,690	156,047	(334,778)	3,224,467
<b>Change in equity for 2022:</b>						
Profit and total comprehensive income for the year	-	-	-	-	135,097	135,097
<b>Balance at 31 December 2022</b>	2,139,651	1,173,857	89,690	156,047	(199,681)	3,359,564
<b>Change in equity for 2023:</b>						
Profit and total comprehensive income for the year	-	-	-	-	56,188	56,188
<b>Balance at 31 December 2023</b>	<b>2,139,651</b>	<b>1,173,857</b>	<b>89,690</b>	<b>156,047</b>	<b>(143,493)</b>	<b>3,415,752</b>

The accompanying notes form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Operating activities</b>			
Profit before tax		58,389	578,071
Adjustments for:			
Recognition (reversal) of impairment losses under expected credit loss model	8(b)	42,760	(531,714)
Depreciation and amortisation	8(c)	9,292	13,954
Finance costs	8(c)	171	605
(Gain) loss on write off and disposal of property and equipment and intangible assets		(29)	2,719
Net foreign exchange losses	7	559	3,364
Operating cash flows before movements in working capital		111,142	66,999
(Increase) decrease in deposits with central bank		(3,243)	84
Decrease (increase) in deposits with banks		300,000	(300,000)
(Increase) decrease in loans and advances to customers		(3,905,848)	2,338,596
Decrease in finance lease receivables		1,692	3,639
Decrease in bills receivable		–	250,783
Decrease in other assets		6,006	14,413
Increase in placements from banks		1,306,005	–
Increase in guarantee deposits		44,677	20,774
Increase (decrease) in other liabilities		51,068	(27,005)
Cash (used in) generated from operations		(2,088,501)	2,368,283
Income tax paid		(2,685)	(52,315)
<b>Net cash (used in) generated from operating activities</b>		<b>(2,091,186)</b>	<b>2,315,968</b>
<b>Investing activities</b>			
Payments for purchase of property and equipment and intangible assets		(9,045)	(64)
Proceeds from disposal of property and equipment		95	26
<b>Net cash used in investing activities</b>		<b>(8,950)</b>	<b>(38)</b>
<b>Financing activities</b>			
Capital element of lease rentals paid		(5,399)	(9,525)
Interest element of lease rentals paid		(171)	(605)
<b>Cash used in financing activities</b>		<b>(5,570)</b>	<b>(10,130)</b>
Net (decrease) increase in cash and cash equivalents		(2,105,706)	2,305,800
<b>Cash and cash equivalents at 1 January</b>		<b>2,561,397</b>	<b>255,574</b>
Effect of foreign exchange rate changes		21	23
<b>Total cash and cash equivalents at 31 December</b>	25(a)	<b>455,712</b>	<b>2,561,397</b>

The accompanying notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

### 1. GENERAL INFORMATION

Shanghai Dongzheng Automotive Finance Co., Ltd. (the “Company”) was established on 11 March 2015 based on the approval of the China Banking and Insurance Regulatory Commission, the predecessor of the National Financial Regulatory Administration, the “NFRA”. On 3 April 2019, the H Shares (as defined in Note 24(a)) of the Company became listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with the stock code of 2718.

The Company obtained its finance permit with an institution code of No. N0022H231000001 from the NFRA. The Company obtained its business license with unified social credit code 91310000717885619E from Shanghai Administration for Industry and Commerce. The registered office of the Company is located at 12/F (Nominal Floor: 15/F), Building Two, No.58, Yao Yuan Road, Pudong New Area, Shanghai, the PRC.

The principal activities of the Company comprise automotive loan business where the Company provides loans, direct leasing products and other financial services to the end customers, major customers and corporate clients for purchases of vehicles.

The Company’s immediate holding company is SAIC Motor Corporation Limited (the “SAIC Motor”) and the Company’s ultimate holding company is Shanghai Automotive Industry Corporation (Group).

The financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### 2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Company’s annual period beginning on 1 January 2023 for the preparation of the financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Company’s financial positions and performance for the current and prior years and/or on the disclosures set out in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)****2.2 Amendments to HKFRSs in issue but not yet effective**

The Company has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	None-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all above amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION****3.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with HKFRSs issued by HKICPA. For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information**

##### **3.2.1 Income recognition**

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

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

For contracts that contain variable consideration, the Company estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Company will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

##### *Revenue from contracts with customers*

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Fee and commission income derives from the Company's joint loan services: (i) Revenues from loan facilitation services are recognised at the time a loan is originated and the principal loan balance is transferred to the borrowers; (ii) Revenues from post facilitation services are recognised over the term of the joint loan contracts.

Fee and commission income derives from the Company's financial consultation services is recognised at a point in time, being when consulting services obligation is satisfied.

##### *Interest income*

Interest income is calculated and recognised in accordance with relevant policies specified in Note 3.2.12.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.2 Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*As a lessee*

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

*Short-term leases and leases of low-value assets*

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

*Lease liabilities*

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information (Continued)**

##### **3.2.2 Leases (Continued)**

###### *As a lessee (Continued)*

###### *Lease liabilities (Continued)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Company remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Company presents lease liabilities as a separate line item on the statement of financial position.

###### *Right-of-use assets*

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

The right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 3.2.8 and 3.2.10) and adjusted for any remeasurement of lease liabilities.

The Company presents right-of-use assets in “property and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

###### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.2 Leases (Continued)***As a lessee (Continued)*

## Lease modifications

The Company accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Company remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Company allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

*As a lessor*

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

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information (Continued)**

##### **3.2.3 Translation of foreign currencies**

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

A spot exchange rate is quoted by the People's Bank of China ("PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates.

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

##### **3.2.4 Borrowing costs**

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

##### **3.2.5 Government grants**

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.6 Employee benefits***Short-term employee benefits*

Short-term employee benefits include wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, as well as labour union fees and employee education expenses.

In the reporting period in which an employee has rendered services, the Company recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses.

*Retirement benefits*

The Company's retirement benefits include defined contribution plans. Under defined contribution plans, the Company makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

The Company's defined contribution plans are primarily the payments for basic pensions and unemployment insurance. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions. Forfeited contributions in respect of unvested benefits of employees leaving the Company's employment cannot be used to reduce ongoing contributions.

*Basic pension and unemployment insurance*

Pursuant to the relevant laws and regulations of the PRC, the Company participates in the social insurance system established and managed by government organisations. The Company makes contributions to basic pension insurance plans and unemployment insurance based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance and unemployment insurance contributions are charged to profit or loss as the related services are rendered by the employees.

*Termination benefits*

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



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information (Continued)**

##### **3.2.7 Income tax**

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

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the end of the reporting period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Company applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Company recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.7 Income tax (Continued)**

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

In assessing any uncertainty over income tax treatments, the Company considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

**3.2.8 Property and equipment (other than properties leased for own use carried at cost)**

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 3.2.10):

- improvement to leasehold property where the Company is not the registered owner of the property interest; and
- items of property and equipment.

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### 3.2.8 Property and equipment (other than properties leased for own use carried at cost) (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from the written off or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of written off or disposal.

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

	Estimated residual value rates	Estimated useful lives
Office furniture	5%	5 years
Electronic equipment	5%	5 years
Improvement to leasehold property	nil	Over the shorter of the lease term and estimated useful life

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.9 Intangible assets**

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3.2.10).

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

	<b>Estimated useful lives</b>
Computer software	5 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**3.2.10 Impairment of other assets**

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

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

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

*Calculation of recoverable amount*

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



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information (Continued)**

##### **3.2.10 Impairment of other assets (Continued)**

###### *Recognition of impairment losses*

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

###### *Reversals of impairment losses*

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

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

##### **3.2.11 Cash and cash equivalents**

Cash and cash equivalents comprise surplus deposit reserves with central bank and deposits with banks within original maturity of three months or less, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Statutory deposit reserves included in deposits with central bank is placed in the PBOC in accordance with relevant regulations and are not available for the Company's daily business that result in no longer meeting the definition of cash as disclosed in Note 13.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.12 Financial instruments**

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Company’s ordinary course of business are presented as revenue.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.2 Material accounting policy information (Continued)

##### 3.2.12 Financial instruments (Continued)

###### *Financial assets*

###### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Company may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.12 Financial instruments (Continued)***Financial assets (Continued)**Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

*Impairment of financial assets and finance lease receivables subject to impairment assessment under HKFRS 9*

The Company performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including deposits with central bank, deposits with banks, loans and advances to customers, interest receivables and other receivables) and finance lease receivables which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Company always recognises lifetime ECL for trade receivables.

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*Significant increase in credit risk*

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



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information (Continued)**

##### **3.2.12 Financial instruments (Continued)**

*Impairment of financial assets and finance lease receivables subject to impairment assessment under HKFRS 9 (Continued)*

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in a financial instrument's external (if available) or internal credit rating;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- significant changes in the expected performance and behavior of the debtor.

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

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

Definition of default

For internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above, the Company considers that default has occurred when a financial asset is more than 60 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.12 Financial instruments (Continued)**

*Impairment of financial assets and finance lease receivables subject to impairment assessment under HKFRS 9 (Continued)*

## Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

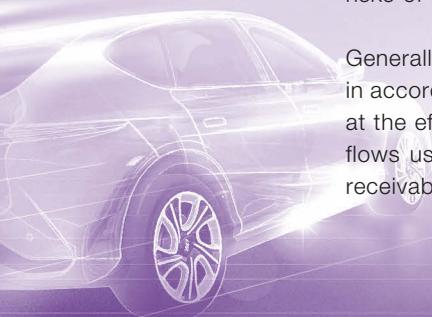
## Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition. For finance lease receivables, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information (Continued)**

##### **3.2.12 Financial instruments (Continued)**

*Impairment of financial assets and finance lease receivables subject to impairment assessment under HKFRS 9 (Continued)*

Measurement and recognition of ECL (Continued)

ECL allowances of loans and advances to customers and finance lease receivables, other than dealer loans which are credit-impaired, are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Company takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments through loss allowance accounts.

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other net expenses' line item (Note 7) as part of "net exchange losses".

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Material accounting policy information (Continued)****3.2.12 Financial instruments (Continued)**

*Impairment of financial assets and finance lease receivables subject to impairment assessment under HKFRS 9 (Continued)*

Measurement and recognition of ECL (Continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Financial liabilities and equity*

## Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Company to deliver cash or other financial assets or the Company has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

### **3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.2 Material accounting policy information (Continued)**

##### **3.2.12 Financial instruments (Continued)**

###### *Financial liabilities and equity (Continued)*

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

###### *Financial liabilities at amortised cost*

Financial liabilities, including placements from banks, guarantee deposits, lease liabilities and other payables are subsequently measured at amortised cost, using the effective interest method.

###### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other net expenses' line item (Note 7) in profit or loss as part of "net exchange losses" for financial liabilities that are not part of a designated hedging relationship.

###### *Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

###### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Income taxes and deferred tax assets

As at 31 December 2023, deferred tax assets of RMB36,426 thousand (2022: RMB20,275 thousand) in relation to deductible temporary differences, representing impairment loss under ECL model, subsidies for retail loans, right-of-use assets, lease liabilities and others.

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the entity files with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

##### ECL allowances of loans and advances to customers

As at 31 December 2023, the Company's net carrying amounts of loans and advances to customers measured at amortised cost amounted to RMB4,418,011 thousand (net of ECL allowances of RMB1,271,184 thousand). Management's key judgements and estimates in respect of the measurement of ECLs include, i) the significant management judgement and estimate of ECL model and its application, ii) the identification of significant increase in credit risk and credit impairment events, and, iii) the determination of inputs used in the ECL model as well as determination of the forward-looking information to incorporate, iv) the determination of key parameters used in discounted cash flow assessment in respect of stage 3 dealer loans including recoverable cash flows and discount rates, and, v) the management overlay adjustments for significant uncertain factors not covered in the ECL model.

The provision of ECL is sensitive to changes of abovementioned factors and the information about the Company's ECL is disclosed in Note 15 and Note 26(b).

#### 5. NET INTEREST INCOME

	2023 RMB'000	2022 RMB'000
<b>Interest income arising from</b>		
Loans and advances to customers	180,384	137,225
Deposits with central bank and other banks	42,267	13,043
Finance lease receivables	17	290
<b>Sub-total</b>	<b>222,668</b>	150,558
<b>Interest expenses arising from</b>		
Placements from banks	(6,718)	-
<b>Net interest income</b>	<b>215,950</b>	150,558

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**6. NET FEE AND COMMISSION INCOME**

	Notes	2023 RMB'000	2022 RMB'000
<b>Fee and commission income arising from</b>			
Joint loan services	(i)	4,085	16,645
Financial consultation services	(ii)	80,935	–
Others		3,405	670
<b>Sub-total</b>		<b>88,425</b>	<b>17,315</b>
<b>Fee and commission expenses arising from</b>			
Bank charges		(519)	(290)
<b>Net fee and commission income</b>		<b>87,906</b>	<b>17,025</b>

Notes:

- (i) The Company provides joint loan services to retail customers and derives fee and commission income received and receivable from the joint banks. Revenues from loan facilitation services are recognised at the time a loan is originated and the principal loan balance is transferred to the borrowers. Revenues from post facilitation services are recognised over the term of the joint loan contracts.
- (ii) The Company provides financial consultation services to finance lease companies and derives fee and commission income received and receivable from the finance lease companies. Revenues from financial consultation services are recognised at the time a leasing contract is originated and the leased vehicle is delivered.

**7. OTHER NET EXPENSES**

	Notes	2023 RMB'000	2022 RMB'000
Net exchange losses		(559)	(3,364)
Government grants	(i)	15	23
Others	(ii)	271	(1,561)
<b>Total</b>		<b>(273)</b>	<b>(4,902)</b>

Notes:

- (i) The government grants were received unconditionally by the Company from the local government.
- (ii) "Others" mainly represents gain and loss on write off and disposal of property and equipment and intangible assets and refund of court charges.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 8. PROFIT BEFORE TAX FOR THE YEAR

Profit before tax for the year is arrived at after charging:

**(a) Staff costs**

	2023 RMB'000	2022 RMB'000
Salaries, bonuses and allowances	(114,338)	(45,299)
Other social welfare	(14,057)	(5,142)
Retirement benefit scheme contribution	(11,143)	(4,657)
<b>Total</b>	<b>(139,538)</b>	<b>(55,098)</b>

**(b) (Recognition) reversal of impairment losses under ECL model**

	Notes	2023 RMB'000	2022 RMB'000
Loans and advances to customers	15(e)	(42,776)	453,641
Finance lease receivables	16(b)	1,678	(963)
Bills receivable		–	75,235
Other assets		(1,662)	3,801
<b>Total</b>		<b>(42,760)</b>	<b>531,714</b>

**(c) Other items**

	2023 RMB'000	2022 RMB'000
Depreciation and amortisation		
– right-of-use assets	(4,791)	(8,228)
– intangible assets	(1,359)	(3,741)
– property and equipment other than right-of-use assets	(3,142)	(1,985)
Auditor's remuneration	(755)	(2,060)
Expense relating to short-term leases and leases of low-value assets	(53)	(1,266)
Finance costs	(171)	(605)

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**9. INCOME TAX**

	Notes	2023 RMB'000	2022 RMB'000
Current tax		(18,368)	(13,769)
Over (under) provision in respect of prior years		16	(5)
<b>Sub-total</b>	22(a)	<b>(18,352)</b>	(13,774)
Deferred tax – current year	22(b)	16,151	(429,200)
<b>Total</b>		<b>(2,201)</b>	(442,974)

The income tax for the year can be reconciled to the profit before tax per the statement of profit or loss and other comprehensive income as follows:

	Note	2023 RMB'000	2022 RMB'000
<b>Profit before tax:</b>		<b>58,389</b>	578,071
Tax at the domestic income tax rate	(i)	(14,597)	(144,518)
Tax effect of non-deductible expenses		(112)	(97)
Tax effect of deductible temporary differences not recognised		–	(298,354)
Utilisation of deductible temporary differences previously not recognised		12,492	–
Over (under) provision in respect of prior years		16	(5)
<b>Income tax for the year</b>		<b>(2,201)</b>	(442,974)

Note:

- (i) The Company is subject to the PRC enterprise income tax (“EIT”) at the statutory tax rate of 25%, pursuant to the EIT Law and the Implementation Regulations of the EIT Law of the PRC, for both years.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 10. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration paid to the directors, chief executive and supervisors during the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

**For the year ended 31 December 2023:**

	Notes	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
<b>Executive directors</b>						
Mr. Wu Zheng	(1)	-	1,020	-	70	1,090
Mr. Lin Fan	(2)	-	130	-	7	137
Mr. Shao Yongjun	(3)	-	161	-	11	172
<b>Non-executive directors</b>						
Ms. Xu Ying	(1)	-	-	-	-	-
Dr. Zhou Qi	(1)	-	-	-	-	-
Ms. Lin Weihua	(1)	-	-	-	-	-
Mr. Koh Tee Choong	(4)	37	-	-	-	37
Mr. Li Guozhou	(5)	-	-	-	-	-
<b>Independent non-executive directors</b>						
Mr. Wong Man Chung Francis		299	-	-	-	299
Ms. Liang Yanjun		299	-	-	-	299
Mr. Qin Zheng		299	-	-	-	299
<b>Supervisors</b>						
Ms. Gu Xiaoqiong	(1) (11)	-	-	-	-	-
Ms. Zhang Langman	(1) (10)	-	-	-	-	-
Mr. Li Huihua	(6) (11)	-	-	-	-	-
Ms. Wang Qing	(7) (10)	-	-	-	-	-
Ms. Wu Liyue	(8) (10)	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**10. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)****For the year ended 31 December 2022:**

	Notes	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
<b>Executive directors</b>						
Mr. Lin Fan		–	1,498	–	39	1,537
Mr. Shao Yongjun		–	1,274	–	65	1,339
<b>Non-executive directors</b>						
Mr. Koh Tee Choong		295	–	–	–	295
Mr. Li Guozhou		–	–	–	–	–
<b>Independent non-executive directors</b>						
Mr. Wong Man						
Chung Francis		295	–	–	–	295
Ms. Liang Yanjun		295	–	–	–	295
Mr. Qin Zheng		100	–	–	–	100
<b>Supervisors</b>						
Mr. Li Huihua	(11)	–	–	–	–	–
Mr. Li Tao	(9) (11)	–	–	–	–	–
Ms. Wang Qing	(10)	–	–	–	–	–
Ms. Wu Liyue	(8) (10)	–	–	–	–	–

Notes:

- (1) On 14 February 2023, Ms. Xu Ying was appointed as chairlady of the board of directors and a non-executive director of the Company; Mr. Wu Zheng was appointed as an executive director of the Company; Dr. Zhou Qi and Ms. Lin Weihua were appointed as non-executive directors of the Company; and Ms. Gu Xiaoqiong and Ms. Zhang Langman were appointed as supervisors of the Company.
- (2) Mr. Lin Fan resigned as an executive director on 14 February 2023.
- (3) Mr. Shao Yongjun resigned as an executive director on 14 February 2023.
- (4) Mr. Koh Tee Choong resigned as a non-executive director on 14 February 2023.
- (5) Mr. Li Guozhou resigned as a non-executive director on 14 February 2023.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 10. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes: (continued)

- (6) Mr. Li Huihua resigned as a supervisor on 14 February 2023.
- (7) Ms. Wang Qing resigned as a supervisor on 13 March 2023.
- (8) Ms. Wu Liyue was appointed as a supervisor on 14 June 2022 and resigned as a supervisor on 14 February 2023.
- (9) Mr. Li Tao resigned as a supervisor on 14 June 2022.
- (10) The employee supervisors were not remunerated for their role as supervisors, and their remuneration from the Company as employees were not disclosed here.
- (11) The supervisors were not taking other roles in the Company and were not remunerated for their role as supervisors.

No director received other remuneration or benefits in kind from the Company in respect of the reporting periods. There was no arrangement under which a director or supervisor has waived or agreed to waive any emoluments during the reporting periods. In 2023, no emolument was paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Company or as a compensation for loss of office (2022: Nil).

## 11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, one (2022: two) was director whose emoluments are disclosed in Note 10. The aggregate of the emoluments in respect of the other four (2022: three) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	4,824	3,692
Discretionary bonuses	215	219
Retirement benefit scheme contribution	226	124
	<b>5,265</b>	<b>4,035</b>

The emoluments of the remaining four (2022: three) individuals, other than the one (2022: two) director of the Company, with the highest emoluments are within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	2	1
	<b>4</b>	<b>3</b>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**12. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB56,188 thousand (2022: RMB135,097 thousand) and the weighted average of 2,139,651 thousand ordinary shares (2022: 2,139,651 thousand ordinary shares) in issue during the year, which is set out as follows:

	2023	2022
Profit attributable to ordinary equity shareholders of the Company (RMB'000)	56,188	135,097
Weighted average number of ordinary shares issued (in thousands)	2,139,651	2,139,651
Basic and diluted earnings per share attributable to shareholders (RMB)	0.0263	0.0631

There were no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022. Therefore, diluted earnings per share are equivalent to basic earnings per share.

**13. DEPOSITS WITH CENTRAL BANK**

	Notes	2023 RMB'000	2022 RMB'000
Deposits with central bank			
– Statutory deposit reserves	(i)	3,387	146
– Surplus deposit reserves	(ii)	154	345
<b>Sub-total</b>		<b>3,541</b>	491
Accrued interest		2	–
<b>Total</b>		<b>3,543</b>	491

Notes:

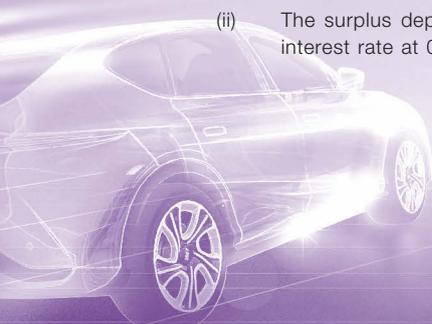
- (i) The Company places statutory deposit reserves with the PBOC in accordance with relevant regulations.

The statutory deposit reserve ratios applicable to the Company were as follows:

	2023	2022
Reserve ratio for deposits	5%	5%

The statutory deposit reserves are not available for the Company's daily business and are with floating interest rate at 1.62% (2022: 1.62%) per annum.

- (ii) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and are with floating interest rate at 0.35% (2022: 0.35%) per annum.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 14. DEPOSITS WITH BANKS

	2023 RMB'000	2022 RMB'000
Deposits with banks	455,558	2,861,052
Accrued interest	303	550
<b>Total</b>	<b>455,861</b>	<b>2,861,602</b>

As at 31 December 2023, no deposit is with original maturity above three months (2022: RMB300,000 thousand).

Deposits with banks are with interest rate ranging from 0.01% to 2.1% (2022: from 0.01% to 1.95%) per annum.

The deposits with banks that are denominated in currencies other than functional currency of the Company is set out in Note 26(e)(i).

## 15. LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	2023 RMB'000	2022 RMB'000
Retail loans	4,524,696	626,288
Dealer loans	1,141,250	1,141,250
Gross loans and advances to customers	5,665,946	1,767,538
Accrued interest	23,249	1,452
Sub-total	5,689,195	1,768,990
Less: allowances for impairment losses	(1,271,184)	(1,214,051)
Net loans and advances to customers	4,418,011	554,939

The Company provided retail loans to automotive end customers to facilitate their purchase of passenger vehicles.

The Company provided dealer loans to automobile dealers to facilitate their purchase of vehicles and accessories.

Loans and advances to customers are with fixed interest rate ranging from 6.50% to 17.99% (2022: from 6.50% to 15.48%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**15. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(b) Analysed by type of collateral**

	Notes	2023 RMB'000	2022 RMB'000
Collateralised loans	(i)	4,524,696	626,288
Guaranteed loans	(ii)	1,141,250	1,141,250
Gross loans and advances to customers		5,665,946	1,767,538
Accrued interest		23,249	1,452
Sub-total		5,689,195	1,768,990
Less: allowances for impairment losses		(1,271,184)	(1,214,051)
Net loans and advances to customers		4,418,011	554,939

Notes:

- (i) Collateralised loans are pledged by vehicles mortgaged to the Company by retail loans customers.
- (ii) Guaranteed loans are guaranteed by related entities of dealer loans customers.

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

	31 December 2023					Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000		
Collateralised loans	114,766	2,735	3,628	7,580	128,709	
Guaranteed loans	-	-	-	1,141,250	1,141,250	
Total	114,766	2,735	3,628	1,148,830	1,269,959	

	31 December 2022					Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000		
Collateralised loans	5,025	1,672	6,410	55,558	68,665	
Guaranteed loans	-	-	-	1,141,250	1,141,250	
Total	5,025	1,672	6,410	1,196,808	1,209,915	

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 15. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

Repayment of loans is to follow contractual repayment schedule. Under the circumstance that any of loans' principal or interest is overdue according to the contractual repayment schedule, the entire loans balance is classified as overdue loan. All amounts are shown as gross amount of overdue loans and advances to customers before impairment losses under ECL model.

**(d) Analysed by methods for assessing impairment losses under ECL model**

	31 December 2023			Total RMB'000
	Stage 1	Stage 2 Lifetime ECL for not credit- impaired	Stage 3 Lifetime ECL for credit- impaired	
	12-month ECL RMB'000	RMB'000	RMB'000	
Gross loans and advances to customers (including accrued interest)	4,412,315	118,627	1,158,253	5,689,195
Less: allowances for impairment losses	(92,464)	(21,410)	(1,157,310)	(1,271,184)
<b>Net loans and advances to customers</b>	<b>4,319,851</b>	<b>97,217</b>	<b>943</b>	<b>4,418,011</b>
Provision ratio	2.10%	18.05%	99.92%	

	31 December 2022			Total RMB'000
	Stage 1	Stage 2 Lifetime ECL for not credit- impaired	Stage 3 Lifetime ECL for credit- impaired	
	12-month ECL RMB'000	RMB'000	RMB'000	
Gross loans and advances to customers (including accrued interest)	559,075	4,202	1,205,713	1,768,990
Less: allowances for impairment losses	(7,195)	(1,383)	(1,205,473)	(1,214,051)
<b>Net loans and advances to customers</b>	<b>551,880</b>	<b>2,819</b>	<b>240</b>	<b>554,939</b>
Provision ratio	1.29%	32.91%	99.98%	

## NOTES TO THE FINANCIAL STATEMENTS

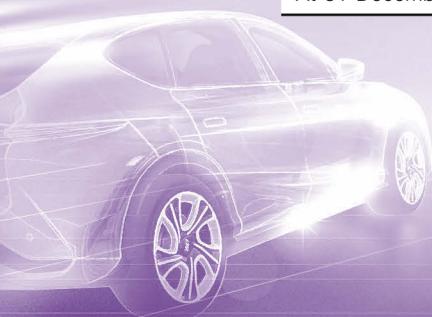
for the year ended 31 December 2023

## 15. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

## (e) Movements of impairment losses under ECL model

	Note	Year ended 31 December 2023			Total RMB'000
		Stage 1	Stage 2	Stage 3	
		12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2023		7,195	1,383	1,205,473	1,214,051
Transferred to:					
– Stage 1		65	(65)	–	–
– Stage 2		(142)	142	–	–
– Stage 3		(51)	(472)	523	–
Recognition of impairment losses under ECL model	8(b)	89,180	21,230	8,042	118,452
Reversal of impairment losses under ECL model	8(b)	(3,783)	(808)	(71,085)	(75,676)
Write-off for the year		–	–	(6,522)	(6,522)
Recovery after write-off		–	–	20,879	20,879
At 31 December 2023		92,464	21,410	1,157,310	1,271,184

	Note	Year ended 31 December 2022			Total RMB'000
		Stage 1	Stage 2	Stage 3	
		12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2022		18,340	3,545	1,640,199	1,662,084
Transferred to:					
– Stage 1		278	(278)	–	–
– Stage 2		(51)	51	–	–
– Stage 3		(88)	(1,621)	1,709	–
Recognition of impairment losses under ECL model	8(b)	1,683	1,261	8,844	11,788
Reversal of impairment losses under ECL model	8(b)	(12,967)	(1,575)	(450,887)	(465,429)
Write-off for the year		–	–	(7,034)	(7,034)
Recovery after write-off		–	–	12,642	12,642
At 31 December 2022		7,195	1,383	1,205,473	1,214,051



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 16. FINANCE LEASE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Minimum finance lease receivables	7,775	9,484
Less: unearned finance lease income	-	(17)
Present value of finance lease receivables	7,775	9,467
Less: allowances for impairment losses	(7,775)	(9,453)
<b>Total</b>	<b>-</b>	<b>14</b>

The Company entered into finance lease arrangements as a lessor for motor vehicles. The average terms of finance leases entered into usually range from 2 to 5 years. All interest rates inherent in the leases are fixed at the contract date over the lease terms. Finance lease receivables are secured over the assets leased. The Company is not permitted to sell or repledge the collateral in the absence of default by lessee.

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

	31 December 2023		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Overdue	7,775	-	7,775
Less: allowances for impairment losses			(7,775)
<b>Total</b>			<b>-</b>

	31 December 2022		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Overdue	9,470	(17)	9,453
Within 1 year (inclusive)	14	-	14
Sub-total	9,484	(17)	9,467
Less: allowances for impairment losses			(9,453)
<b>Total</b>			<b>14</b>

Finance lease receivables are with fixed interest rate ranging from 7.96% to 11.00% (2022: from 7.96% to 12.00%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

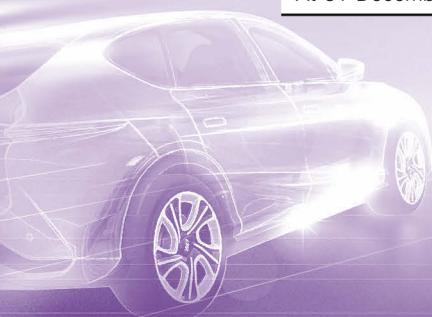
for the year ended 31 December 2023

**16. FINANCE LEASE RECEIVABLES (CONTINUED)**

(b) Movements of impairment losses under ECL model are as follows:

	Note	Year ended 31 December 2023			Total RMB'000
		Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL for not credit- impaired RMB'000	Stage 3 Lifetime ECL for credit- impaired RMB'000	
At 1 January 2023		-	-	9,453	9,453
Transferred to:					
- Stage 1		-	-	-	-
- Stage 2		-	-	-	-
- Stage 3		-	-	-	-
Recognition of impairment losses under ECL model	8(b)	-	-	-	-
Reversal of impairment losses under ECL model	8(b)	-	-	(1,678)	(1,678)
Write-off for the year		-	-	-	-
Recovery after write-off		-	-	-	-
At 31 December 2023		-	-	7,775	7,775

	Note	Year ended 31 December 2022			Total RMB'000
		Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL for not credit- impaired RMB'000	Stage 3 Lifetime ECL for credit- impaired RMB'000	
At 1 January 2022		27	467	8,101	8,595
Transferred to:					
- Stage 1		-	-	-	-
- Stage 2		-	-	-	-
- Stage 3		(11)	(163)	174	-
Recognition of impairment losses under ECL model	8(b)	-	-	1,779	1,779
Reversal of impairment losses under ECL model	8(b)	(16)	(304)	(496)	(816)
Write-off for the year		-	-	(124)	(124)
Recovery after write-off		-	-	19	19
At 31 December 2022		-	-	9,453	9,453



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 17. PROPERTY AND EQUIPMENT

### (a) Reconciliation of carrying amount

	Electronic equipment RMB'000	Office furniture RMB'000	Improvement to leasehold property RMB'000	Properties leased for own use (classified as right-of-use assets) RMB'000	Total RMB'000
<b>Cost:</b>					
At 1 January 2022	4,480	1,060	14,566	36,212	56,318
Additions	5	-	-	225	230
Written off and disposals	(748)	(65)	-	(15,132)	(15,945)
At 31 December 2022	<b>3,737</b>	<b>995</b>	<b>14,566</b>	<b>21,305</b>	<b>40,603</b>
Additions	<b>7,557</b>	<b>-</b>	<b>-</b>	<b>7,237</b>	<b>14,794</b>
Written off and disposals	<b>(967)</b>	<b>(3)</b>	<b>-</b>	<b>(21,305)</b>	<b>(22,275)</b>
At 31 December 2023	<b>10,327</b>	<b>992</b>	<b>14,566</b>	<b>7,237</b>	<b>33,122</b>
<b>Accumulated depreciation:</b>					
At 1 January 2022	(3,377)	(909)	(10,602)	(24,839)	(39,727)
Charge for the year	(422)	(46)	(1,517)	(8,228)	(10,213)
Written off and disposals	710	60	-	15,132	15,902
At 31 December 2022	<b>(3,089)</b>	<b>(895)</b>	<b>(12,119)</b>	<b>(17,935)</b>	<b>(34,038)</b>
Charge for the year	<b>(1,644)</b>	<b>(44)</b>	<b>(1,454)</b>	<b>(4,791)</b>	<b>(7,933)</b>
Written off and disposals	<b>912</b>	<b>3</b>	<b>-</b>	<b>21,305</b>	<b>22,220</b>
At 31 December 2023	<b>(3,821)</b>	<b>(936)</b>	<b>(13,573)</b>	<b>(1,421)</b>	<b>(19,751)</b>
<b>Net book value:</b>					
At 31 December 2023	<b>6,506</b>	<b>56</b>	<b>993</b>	<b>5,816</b>	<b>13,371</b>
At 31 December 2022	648	100	2,447	3,370	6,565

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**17. PROPERTY AND EQUIPMENT (CONTINUED)****(b) Right-of-use assets**

	Notes	2023 RMB'000	2022 RMB'000
Additions to right-of-use assets	(i)	7,237	225
Properties leased for own use carried at cost		5,816	3,370
Total cash outflow for lease for the year	(ii)	5,623	11,396

Notes:

- (i) Amount represents additions to right-of-use assets resulting from new leased offices.
- (ii) Amount represents payments of principal and interest portion of lease liabilities, short-term leases and leases of low-value assets.

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

	2023 RMB'000	2022 RMB'000
Depreciation of right-of-use assets	4,791	8,228
Finance costs	171	605
Expense relating to short-term leases and leases of low-value assets	53	1,266

Disposals on properties leased for own use (classified as right-of-use assets) are arising from the expiry of respective lease contracts.

The Company regularly entered into short-term leases for warehouse and motor vehicles. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The Company leases various buildings for its operations. Lease contracts are entered into for term of 1 year to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, lease liabilities of RMB6,120 thousand are recognised with related right-of-use assets of RMB5,816 thousand as at 31 December 2023 (2022: lease liabilities of RMB4,282 thousand and related right-of-use assets of RMB3,370 thousand). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 18. OTHER ASSETS

	Notes	2023 RMB'000	2022 RMB'000
Interest receivables		3,823	39,059
Other receivables	(i)	6,533	4,313
Value-added and surcharges tax recoverables		–	4,104
Prepayments	(ii)	1,200	6,758
Repossessed assets	(iii)	161	–
Sub-total		11,717	54,234
Less: allowances for impairment losses		(4,008)	(39,093)
<b>Total</b>		<b>7,709</b>	<b>15,141</b>

Notes:

(i) Other receivables

	2023 RMB'000	2022 RMB'000
Commission receivables of joint loans	348	1,264
Commission receivables of financial consultation	3,096	–
Deposits	3,089	3,049
Sub-total	6,533	4,313
Less: allowances for impairment losses	(1,264)	(91)
<b>Total</b>	<b>5,269</b>	<b>4,222</b>

(ii) Prepayments

	2023 RMB'000	2022 RMB'000
Prepayments to services and other suppliers	1,077	5,733
Other prepayments	123	1,025
<b>Total</b>	<b>1,200</b>	<b>6,758</b>

Other prepayments included RMB15,000 thousand prepayments for mortgage release service fee, which was fully impaired as at 31 December 2023 and 2022.

(iii) Repossessed assets

	2023 RMB'000	2022 RMB'000
Vehicle	161	–
Less: allowances for impairment losses	(161)	–
<b>Total</b>	<b>–</b>	<b>–</b>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**19. PLACEMENTS FROM BANKS**

	2023 RMB'000	2022 RMB'000
Placements from banks – unsecured	1,300,000	–
Accrued interest	6,005	–
<b>Total</b>	<b>1,306,005</b>	–

As at 31 December 2023, placements from banks were with fixed interest rate ranging from 2.83% to 3.10% per annum, and with original maturity of less than 1 year.

**20. GUARANTEE DEPOSITS**

	2023 RMB'000	2022 RMB'000
Deposits from service providers for retail loans	66,474	21,512
Deposits from dealers for retail loans	2,258	2,417
Deposits from finance lease customers	368	494
<b>Total</b>	<b>69,100</b>	24,423

**21. LEASE LIABILITIES**

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

	31 December 2023		31 December 2022	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year (inclusive)	6,120	6,210	4,282	4,406
Less: total future finance costs		(90)		(124)
Present value of lease liabilities		<b>6,120</b>		4,282

The weighted average incremental borrowing rates applied to lease liabilities ranged from 2.84% to 2.91% as at 31 December 2023 (2022: from 4.00% to 6.80%) per annum.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 22. CURRENT TAX AND DEFERRED TAX ASSETS

(a) **Tax (payables) recoverables:**

	Note	2023 RMB'000	2022 RMB'000
Balance at the beginning of the year		12,143	(26,398)
Income tax expense recognised for the year	9	(18,352)	(13,774)
Payments during the year		2,685	52,315
Balance at the end of the year		(3,524)	12,143
Presented by:			
Tax (payables) recoverables		(3,524)	12,143

(b) **Deferred tax assets recognised:**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	37,880	20,275
Deferred tax liabilities	(1,454)	-
	36,426	20,275

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

Deferred tax arising from:	Impairment loss under ECL model RMB'000	Subsidies for retail loans and advances to customers RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	441,548	7,023	-	-	904	449,475
Charged to profit or loss	(424,072)	(5,089)	-	-	(39)	(429,200)
At 31 December 2022	17,476	1,934	-	-	865	20,275
Credited (charged) to profit or loss	16,969	(614)	(1,454)	1,530	(280)	16,151
At 31 December 2023	34,445	1,320	(1,454)	1,530	585	36,426

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**22. CURRENT TAX AND DEFERRED TAX ASSETS (CONTINUED)****(b) Deferred tax assets recognised: (Continued)**

At as 31 December 2023, the Company has utilised deductible temporary differences previously not recognised amounting to RMB49,969 thousand.

At as 31 December 2023, the Company has not recognised deferred tax asset on deductible temporary differences amounting to RMB1,143,448 thousand (2022: RMB1,193,417 thousand) as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

**23. OTHER LIABILITIES**

	Note	2023 RMB'000	2022 RMB'000
Other payables	(i)	133,423	82,101
Advance receipts		2,282	1,956
<b>Total</b>		<b>135,705</b>	<b>84,057</b>

Note:

(i) Other payables

	2023 RMB'000	2022 RMB'000
Payables of joint loans	3,654	17,845
IPO service fees payable	28,137	27,735
Other payables to service suppliers	48,285	13,348
Brokerage fees payable	12,425	12,247
Accrued employee benefits	38,590	9,097
Other taxes payable and surcharges	1,268	720
Others	1,064	1,109
<b>Total</b>	<b>133,423</b>	<b>82,101</b>

Other liabilities that are denominated in currencies other than functional currency of the Company is set out in Note 26(e)(i).



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 24. CAPITAL AND RESERVES

### (a) Share capital of the Company

	31 December 2023		31 December 2022	
	Number of shares (thousand)	Nominal Value RMB'000	Number of shares (thousand)	Nominal Value RMB'000
Unlisted Foreign Shares	1,520,000	1,520,000	1,520,000	1,520,000
Domestic Shares	80,000	80,000	80,000	80,000
H Shares	539,651	539,651	539,651	539,651
<b>Total</b>	<b>2,139,651</b>	<b>2,139,651</b>	2,139,651	2,139,651

As at 31 December 2023 and 2022 and 1 January 2022, the Company's aggregate share capital was RMB2,139,651,400 divided into 2,139,651,400 ordinary shares of the Company at RMB1 each, representing 539,651,400 H Shares (Note), 80,000,000 Domestic Shares (Note) and 1,520,000,000 Unlisted Foreign Shares (Note).

Note:

Unlisted Foreign Shares are ordinary shares issued by the Company with a nominal value of RMB1 each, which are subscribed for or credited as fully paid in foreign currency and originally issued to persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange.

Domestic Shares are ordinary shares issued by the Company with a nominal value of RMB1 each, which are subscribed for or credited as fully paid in RMB and originally issued by the Company to domestic investor(s) for subscription in RMB.

H shares are ordinary shares issued by the Company with a nominal value of RMB1 each, which are subscribed for and traded in Hong Kong Dollars and listed on the Stock Exchange.

### (b) Nature and purpose of reserves

#### (i) Surplus reserve

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

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

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its profit for the year to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserve may be used to net off with accumulated losses, if any, and may be converted into capital.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**24. CAPITAL AND RESERVES (CONTINUED)****(b) Nature and purpose of reserves (Continued)****(ii) General risk reserve**

Pursuant to the *Administrative Measures for Provisioning of Financial Enterprises* (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the PRC, the Company is required to set aside a general reserve through profit appropriation which should not be lower than 1.50% of the ending balance of its gross risk-bearing assets on an annual basis. The general risk reserve included in the Company's statement of changes in equity as at 31 December 2023 amounted to RMB156,047 thousand (2022: RMB156,047 thousand), which has reached the requirement.

**(c) Dividends**

No dividend was declared or paid to equity shareholders of the Company attributable to the years ended 31 December 2023 and 2022.

**(d) Capital management**

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

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

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

The Company calculates the capital adequacy ratios as at 31 December 2023 and 31 December 2022 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) issued by the former China Banking Regulatory Commission (the "CBRC") in 2012 and relevant requirements promulgated by the former China Banking and Insurance Regulatory Commission (the "CBIRC") are as follows:



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 24. CAPITAL AND RESERVES (CONTINUED)

### (d) Capital management (Continued)

	2023 RMB'000	2022 RMB'000
Core tier-one capital		
– Share capital	2,139,651	2,139,651
– Capital reserve	1,173,857	1,173,857
– Surplus reserve	89,690	89,690
– General risk reserve	156,047	156,047
– Accumulated losses	(143,493)	(199,681)
Total core tier-one capital	3,415,752	3,359,564
Core tier-one capital deductions		
– Net value of intangible asset after deduction of related deferred income tax liabilities	(1,285)	(1,156)
Net core tier-one capital	3,414,467	3,358,408
Net tier-one capital	3,414,467	3,358,408
Tier-two capital		
– Surplus provision for loan impairment	43,957	8,339
Net tier-two capital	43,957	8,339
Net capital base	3,458,424	3,366,747
Credit risk-weighted assets	3,560,489	1,096,440
Operational risk-weighted assets	489,380	661,635
Total risk-weighted assets	4,049,869	1,758,075
Core tier-one capital adequacy ratio	84.31%	191.03%
Tier-one capital adequacy ratio	84.31%	191.03%
Capital adequacy ratio	85.40%	191.50%

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for the year ended 31 December 2023

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

	Note	2023 RMB'000	2022 RMB'000
Surplus deposit reserves with central bank	13	154	345
Deposits with banks with original maturity of three months or less		455,558	2,561,052
Cash and cash equivalents in the cash flow statements		455,712	2,561,397

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

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

	Lease liabilities (Note 21) RMB'000
<b>At 1 January 2023</b>	<b>4,282</b>
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(5,399)
Interest element of lease rentals paid	(171)
Total changes from financing cash flows	(5,570)
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases during the year	7,237
Accrued finance costs (Note 8(c))	171
<b>At 31 December 2023</b>	<b>6,120</b>

	Lease liabilities (Note 21) RMB'000
<b>At 1 January 2022</b>	<b>13,582</b>
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(9,525)
Interest element of lease rentals paid	(605)
Total changes from financing cash flows	(10,130)
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases during the year	225
Accrued finance costs (Note 8(c))	605
<b>At 31 December 2022</b>	<b>4,282</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency 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) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>		
Deposits with central bank	3,543	491
Deposits with banks	455,861	2,861,602
Loans and advances to customers	4,418,011	554,939
Finance lease receivables	–	14
Other assets	6,509	4,279
Financial assets at amortised cost	4,883,924	3,421,325
<b>Financial liabilities</b>		
Placements from banks	1,306,005	–
Guarantee deposits	69,100	24,423
Lease liabilities	6,120	4,282
Other liabilities	93,565	72,284
Financial liabilities at amortised cost	1,474,790	100,989

### (b) 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. It arises primarily from the Company's automotive retail and dealer loans business and finance lease business.

The Compliance Department and Risk Management Department are responsible for the formulation of credit risk related systems, processes, strategies and preferences, also the reporting of operation information to the Risk Management Committee. The relevant business departments are responsible for the credit review, credit risk assessment, credit decision-making recommendations and approval processes.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(b) Credit risk (Continued)****(i) Management of credit risk (Continued)**

In accordance with the requirements of external regulatory and related system, the Company has formulated management measures for the Five-tier risk classification of credit assets, management measures for the risk classification of other assets, management measures for the post-loan risk of retail loans, management measures for the collection of retail loans and other relevant systems etc. regarding the management of credit risk. 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, the approval of all loan business is made on the basis of the combination of big data risk control and manual approval from dedicated staffs. During the post-credit management session, the Company will continue to monitor all the loans and advances to customers and take corresponding measures for any negative events that may affect the borrower's repayment ability in order to prevent and control the risk.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of each reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for retail loans and dealer loans which are secured and guaranteed as stated in Note 15(b).

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



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

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

### (b) Credit risk (Continued)

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

The following table shows the Company's credit risk grading framework:

Category	Description	Basis of recognising ECL
Stage 1	For financial assets that have low risk of default or where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	12-month ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired.	Lifetime ECL for not credit-impaired
Stage 3	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL for credit-impaired

The credit risk on deposits with banks is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low.

#### (iii) Maximum credit risk exposure

The maximum credit risk exposure of the Company is as follows:

	2023 RMB'000	2022 RMB'000
Deposits with central bank	3,543	491
Deposits with banks	455,861	2,861,602
Loans and advances to customers	4,418,011	554,939
Finance lease receivables	-	14
Other assets	6,509	4,279
	<b>4,883,924</b>	<b>3,421,325</b>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(c) Liquidity risk**

Liquidity risk refers to the risk that the Company could not raise sufficient fund at reasonable cost in time to repay maturing debt, fulfil other payment obligations or meet the funding needs for regular business operations.

Currently, the Company's main sources of funds are share capital, placements from banks and the interest charged for the loan service. The funds are mostly used to disburse loans and to maintain daily operations of the Company.

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

	Terms undated/overdue RMB'000	Repayable on demand RMB'000	Within one month RMB'000	31 December 2023			Total RMB'000	Carrying amount 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>								
Deposits with central bank	3,389	154	-	-	-	-	3,543	3,543
Deposits with banks	-	455,861	-	-	-	-	455,861	455,861
Loans and advances to customers	109,489	-	164,854	323,166	1,400,859	2,997,566	4,995,934	4,418,011
Other assets	-	6,509	-	-	-	-	6,509	6,509
<b>Total</b>	<b>112,878</b>	<b>462,524</b>	<b>164,854</b>	<b>323,166</b>	<b>1,400,859</b>	<b>2,997,566</b>	<b>5,461,847</b>	<b>4,883,924</b>
<b>Liabilities</b>								
Placements from banks	-	-	-	612,264	710,311	-	1,322,575	1,306,005
Guarantee deposits	-	69,100	-	-	-	-	69,100	69,100
Lease liabilities	-	-	476	991	4,743	-	6,210	6,120
Other liabilities	-	90,119	136	536	1,958	816	93,565	93,565
<b>Total</b>	<b>-</b>	<b>159,219</b>	<b>612</b>	<b>613,791</b>	<b>717,012</b>	<b>816</b>	<b>1,491,450</b>	<b>1,474,790</b>
<b>Net position</b>	<b>112,878</b>	<b>303,305</b>	<b>164,242</b>	<b>(290,625)</b>	<b>683,847</b>	<b>2,996,750</b>	<b>3,970,397</b>	<b>3,409,134</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

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

### (c) Liquidity risk (Continued)

	Terms undated/ overdue RMB'000	Repayable on demand RMB'000	Within one month RMB'000	31 December 2022			Total RMB'000	Carrying amount 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>				
Deposits with central bank	146	345	-	-	-	-	491	491
Deposits with banks	-	2,561,479	-	301,528	-	-	2,863,007	2,861,602
Loans and advances to customers	3,073	-	38,745	72,904	277,257	206,036	598,015	554,939
Finance lease receivables	-	-	2	5	7	-	14	14
Other assets	-	4,279	-	-	-	-	4,279	4,279
<b>Total</b>	<b>3,219</b>	<b>2,566,103</b>	<b>38,747</b>	<b>374,437</b>	<b>277,264</b>	<b>206,036</b>	<b>3,465,806</b>	<b>3,421,325</b>
<b>Liabilities</b>								
Guarantee deposits	-	24,334	-	-	89	-	24,423	24,423
Lease liabilities	-	-	44	1,001	3,361	-	4,406	4,282
Other liabilities	-	54,498	1,127	2,080	7,862	6,717	72,284	72,284
<b>Total</b>	<b>-</b>	<b>78,832</b>	<b>1,171</b>	<b>3,081</b>	<b>11,312</b>	<b>6,717</b>	<b>101,113</b>	<b>100,989</b>
<b>Net position</b>	<b>3,219</b>	<b>2,487,271</b>	<b>37,576</b>	<b>371,356</b>	<b>265,952</b>	<b>199,319</b>	<b>3,364,693</b>	<b>3,320,336</b>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(d) Interest rate risk**

The interest rate risk of the Company mainly comes from automotive retail and dealer loans business and finance lease business. The interest-bearing financial instruments of fixed rate and variable rate make the Company face fair value interest rate risk and cash flow interest rate risk, respectively.

**(i) Interest rate profile**

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

	31 December 2023		31 December 2022	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
<b>Fixed interest rate:</b>				
Financial assets				
Loans and advances to customers	6.50–17.99	4,418,011	6.50–15.48	554,939
Finance lease receivables	7.96–11.00	–	7.96–12.00	14
Deposits with banks	N/A	–	1.95	300,000
<b>Total</b>		<b>4,418,011</b>		<b>854,953</b>
Financial liabilities				
Placements from banks	2.83–3.10	1,306,005	N/A	–
<b>Total</b>		<b>1,306,005</b>		<b>–</b>
<b>Net position</b>		<b>3,112,006</b>		<b>854,953</b>

	31 December 2023		31 December 2022	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
<b>Variable interest rate:</b>				
Financial assets				
Deposits with central bank	0.35–1.62	3,543	0.35–1.62	491
Deposits with banks	0.01–2.10	455,861	0.01–1.80	2,561,602
<b>Total</b>		<b>459,404</b>		<b>2,562,093</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

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

### (d) Interest rate risk (Continued)

#### (ii) Sensitivity analysis

– *Fair value interest rate risk*

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

– *Cash flow interest rate risk*

	2023 RMB'000	2022 RMB'000
Increase (decrease) in profit after taxation and equity for the year		
Interest rates increase by 100 bps	3,013	16,809
Interest rates decrease by 100 bps	(3,013)	(16,809)

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

### (e) Currency risk

The Company's functional currency is RMB. Except for the deposits with banks and other liabilities, there is no material currency risk for the Company as the majority of the business activities are within mainland China and settled in RMB. The currency giving rise to this risk is primarily United States Dollars ("USD") and Hong Kong Dollars (HK\$).

#### (i) Exposure to currency risk

	Exposure to foreign currencies (expressed in RMB thousands)			
	2023		2022	
	USD	HK\$	USD	HK\$
Deposits with banks	56	171	55	211
Other liabilities	–	(40,562)	–	(39,982)
<b>Net position</b>	<b>56</b>	<b>(40,391)</b>	<b>55</b>	<b>(39,771)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(e) Currency risk (Continued)****(ii) Sensitivity analysis**

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

	2023 RMB'000	2022 RMB'000
Increase (decrease) in profit after taxation and equity for the year		
Foreign exchange rate increase by 100 bps	(303)	(298)
Foreign exchange rate decrease by 100 bps	303	298

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

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

**(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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 27. MATERIAL RELATED PARTY TRANSACTIONS

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

### (a) Information of the Company's immediate holding company

As at 31 December 2023 and 2022, the immediate holding company is listed below:

Name of the company	Place of registration	Registered capital
SAIC Motor	Shanghai	RMB11.68 billion

SAIC Motor is principally engaged in the research and development, production and sales business of passenger vehicles, commercial vehicles and auto parts, auto-related finance services, overseas business, international trade and other auto-related business.

### (b) Significant transactions with related parties

Relationships	Nature of transactions	2023 RMB'000	2022 RMB'000
A fellow subsidiary	Fee and commission income earned	80,935	–
Fellow subsidiaries	Operating expenses incurred	34	–
Former fellow subsidiaries*	Interest income earned	N/A	64,574*
Former fellow subsidiaries*	Operating expenses incurred	N/A	(101)*

\* Former fellow subsidiaries ceased to be related parties in 2022 so the amount disclosed represent the transaction amount for the period when they were related parties.

### (c) Balances with related parties

As at 31 December 2023, the Company had the following balances with fellow subsidiaries.

	2023 RMB'000
<b>Assets</b>	
Other assets	3,096

As at 31 December 2023, the balance of other assets represent fee and commission income receivables from fellow subsidiaries which arised from the financial consultation services.

As at 31 December 2022, the Company had no material balances with related parties.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**27. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)****(d) Transactions and balances with other government-related entities**

The Company is ultimately controlled by the PRC government and the Company operates in an economic environment currently predominated by entities controlled by the PRC government.

In addition, as at 31 December 2023 and 31 December 2022, the Company itself is a subsidiary company under SAIC Motor which is controlled by the PRC government.

During the year, other than related party transactions disclosed above, the Company entered into transactions with government-related entities including, but are not limited to, deposits placement and joint loans business.

The Company considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Company have not been significantly or unduly affected by the fact that the Company and those entities are government related. The Company has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, subsidiaries and other entities under control of the government.

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

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors and supervisors as disclosed in Note 10 and the Company's senior management, is as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	7,999	6,445
Discretionary bonuses	108	108
Retirement benefit scheme contribution	526	316
<b>Total</b>	<b>8,633</b>	<b>6,869</b>

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 28. SEGMENT REPORTING

### (a) Business segment

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

- Retail business: this segment represents the Company's retail business provided to automotive end customers. The Company's retail business facilitates its customers' purchase of passenger vehicles. These products and services include i) direct loans where the Company grants automobile retail loans to customers with its own funding and charge customers interests on the loans; ii) loan facilitation services; iii) joint loan arrangement and iv) direct lease services; and
- Dealer loans business: This segment represents the Company's dealer loans provided to automobile dealers to facilitate their purchase of vehicles and accessories.

	For the year ended 31 December 2023		
	Retail business RMB'000	Dealer loans business RMB'000	Total RMB'000
Net interest income	180,401	-	180,401
Net fee and commission income	87,906	-	87,906
Recognition of impairment losses under ECL model	(41,587)	-	(41,587)
<b>Segment profit</b>	<b>226,720</b>	<b>-</b>	<b>226,720</b>
Unallocated net interest income			35,549
Unallocated recognition of impairment losses under ECL model			(1,173)
Other net expenses			(273)
Depreciation and amortisation			(9,292)
Other operating expenses			(192,971)
Finance costs			(171)
<b>Profit before tax</b>			<b>58,389</b>

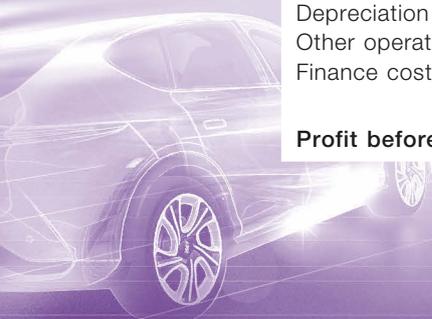
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**28. SEGMENT REPORTING (CONTINUED)****(a) Business segment (Continued)**

	As at 31 December 2023		
	Retail business RMB'000	Dealer loans business RMB'000	Total RMB'000
<b>Segment assets</b>			
Loans and advances to customers	4,418,011	–	4,418,011
Other assets	4,684	–	4,684
Segment assets	4,422,695	–	4,422,695
Unallocated other assets			3,025
Other unallocated assets			510,486
<b>Total assets</b>			<b>4,936,206</b>
<b>Segment liabilities</b>			
Guarantee deposits	(69,100)	–	(69,100)
Other liabilities	(35,316)	–	(35,316)
Segment liabilities	(104,416)	–	(104,416)
Unallocated other liabilities			(100,389)
Other unallocated liabilities			(1,315,649)
<b>Total liabilities</b>			<b>(1,520,454)</b>

	For the year ended 31 December 2022		
	Retail business RMB'000	Dealer loans business RMB'000	Total RMB'000
Net interest income	74,226	63,289	137,515
Net fee and commission income	17,025	–	17,025
Reversal of impairment losses under ECL model	19,799	512,006	531,805
<b>Segment profit</b>	<b>111,050</b>	<b>575,295</b>	<b>686,345</b>
Unallocated net interest income			13,043
Unallocated recognition of impairment losses under ECL model			(91)
Other net expenses			(4,902)
Depreciation and amortisation			(13,954)
Other operating expenses			(101,765)
Finance costs			(605)
<b>Profit before tax</b>			<b>578,071</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023

## 28. SEGMENT REPORTING (CONTINUED)

### (a) Business segment (Continued)

	As at 31 December 2022		
	Retail business	Dealer loans business	Total
	RMB'000	RMB'000	RMB'000
<b>Segment assets</b>			
Loans and advances to customers	554,939	–	554,939
Finance lease receivables	14	–	14
Other assets	1,321	–	1,321
Segment assets	556,274	–	556,274
Unallocated other assets			13,820
Other unallocated assets			2,902,232
<b>Total assets</b>			3,472,326
<b>Segment liabilities</b>			
Guarantee deposits	(24,423)	–	(24,423)
Other liabilities	(20,243)	–	(20,243)
Segment liabilities	(44,666)	–	(44,666)
Unallocated other liabilities			(63,814)
Other unallocated liabilities			(4,282)
<b>Total liabilities</b>			(112,762)

All assets are allocated to operating segments other than deposits with central bank, deposits with banks, property and equipment, intangible assets, deferred tax assets, tax recoverables, deposits, value-added and surcharges tax recoverables and prepayments included in other assets; and all liabilities are allocated to operating segments other than placements from banks, lease liabilities, tax payables and other liabilities mainly except for payables of joint loans, other payables to service suppliers and others.

Since 2021, the Company did not grant new dealer loans and all existing loans related to this business were matured gradually since then. As at 31 December 2023 and 2022, all the outstanding dealer loans are credit-impaired under the ECL model with provision ratio of 100%. The cessation of the Company's dealer loans business during the years, in this regards, does not constitute a discontinued operation for the years ended 31 December 2023 and 2022.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2023

**28. SEGMENT REPORTING (CONTINUED)****(b) Geographical information**

Geographically, the Company conducts its business in the PRC. The non-current assets including mainly property and equipment and intangible assets are located in the PRC as well.

**(c) Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Customer A <sup>1</sup>	80,935	–

<sup>1</sup> Customer A is a fellow subsidiary of the Company that the Company provides financial consultation services and earns respective fee and commission income.



## DEFINITIONS

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

“Anji Leasing”	Anji Leasing Co., Ltd* (安吉租賃有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SAIC Motor
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Audit Committee”	audit committee of the Board
“Board”	the board of Directors
“Board of Supervisors”	the board of Supervisors
“Company”	Shanghai Dongzheng Automotive Finance Co., Ltd*. (上海東正汽車金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Stock Exchange (stock code: 2718)
“Company Law”	the Company Law of the PRC
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for or credited as fully paid in RMB originally issued by the Company to domestic investor(s) for subscription in RMB
“H Share(s)”	the issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	nomination committee of the Board
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Remuneration Committee”	remuneration and evaluation committee of the Board

## DEFINITIONS

“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Risk Management Committee”	risk management committee of the Board
“SAIC Finance”	Shanghai Automotive Group Finance Corporation Limited* (上海汽車集團財務有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SAIC Motor
“SAIC Motor”	SAIC Motor Corporation Limited* (上海汽車集團股份有限公司), a controlling shareholder of the Company and a company listed on the Shanghai Stock Exchange (stock code: 600104)
“SAIC Motor Group”	SAIC Motor and its subsidiaries
“SAIC Motor Investment”	SAIC Motor Investment Management Co., Limited* (上海汽車集團投資管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SAIC Motor
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Shanghai Changfan”	Shanghai Changfan Investment Management Consulting Service Co., Ltd* (上海暢帆投資管理諮詢服務有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SAIC Motor
“Share(s)”	ordinary share(s) in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for or credited as fully paid in foreign currency and originally issued to persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange
“%”	per cent.



## FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)
Interest income	999,733	743,352	343,818	150,558	<b>222,668</b>
Interest expenses	(463,933)	(248,209)	(63,499)	–	<b>(6,718)</b>
<b>Net interest income</b>	<b>535,800</b>	<b>495,143</b>	<b>280,319</b>	<b>150,558</b>	<b>215,950</b>
Fee and commission income	174,956	73,312	34,503	17,315	<b>88,425</b>
Fee and commission expenses	(1,208)	(805)	(785)	(290)	<b>(519)</b>
<b>Net fee and commission income</b>	<b>173,748</b>	<b>72,507</b>	<b>33,718</b>	<b>17,025</b>	<b>87,906</b>
Other net income (expenses)	90,270	9,521	2,083	(4,902)	<b>(273)</b>
<b>Operating income</b>	<b>799,818</b>	<b>577,171</b>	<b>316,120</b>	<b>162,681</b>	<b>303,583</b>
Operating expenses	(163,853)	(119,901)	(118,518)	(115,719)	<b>(202,263)</b>
(Recognition) reversal of impairment losses under expected credit loss model	(114,553)	(381,400)	(1,316,448)	531,714	<b>(42,760)</b>
Finance costs	(1,633)	(1,899)	(1,276)	(605)	<b>(171)</b>
<b>Profit (loss) before tax</b>	<b>519,779</b>	<b>73,971</b>	<b>(1,120,122)</b>	<b>578,071</b>	<b>58,389</b>
Income tax	(130,378)	(18,986)	280,029	(442,974)	<b>(2,201)</b>
<b>Profit (loss) and total comprehensive income (expense) for the year</b>	<b>389,401</b>	<b>54,985</b>	<b>(840,093)</b>	<b>135,097</b>	<b>56,188</b>

## FIVE YEAR FINANCIAL SUMMARY

	At 31 December				
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)
<b>Assets</b>					
Deposits with central bank	9,479	5,025	487	491	3,543
Deposits with banks	126,524	90,396	255,403	2,861,602	455,861
Loans and advances to customers	10,004,153	5,751,275	2,439,894	554,939	4,418,011
Finance lease receivables	52,001	18,455	4,616	14	–
Bills receivable	–	–	175,548	–	–
Property and equipment	40,532	28,234	16,591	6,565	13,371
Intangible assets	16,512	11,337	7,417	1,156	1,285
Deferred tax assets	54,852	112,503	449,475	20,275	36,426
Tax recoverables	–	–	–	12,143	–
Other assets	23,990	251,537	26,340	15,141	7,709
<b>Total assets</b>	<b>10,328,043</b>	<b>6,268,762</b>	<b>3,375,771</b>	<b>3,472,326</b>	<b>4,936,206</b>
<b>Liabilities</b>					
Placements from banks and other financial institutions	5,891,421	2,033,911	–	–	1,306,005
Guarantee deposits	156,845	30,299	3,649	24,423	69,100
Deposits from shareholders	–	–	–	–	–
Lease liabilities	32,388	23,372	13,582	4,282	6,120
Tax payables	70,961	18,379	26,398	–	3,524
Other liabilities	166,853	98,241	107,675	84,057	135,705
<b>Total liabilities</b>	<b>6,318,468</b>	<b>2,204,202</b>	<b>151,304</b>	<b>112,762</b>	<b>1,520,454</b>
<b>NET ASSETS</b>	<b>4,009,575</b>	<b>4,064,560</b>	<b>3,224,467</b>	<b>3,359,564</b>	<b>3,415,752</b>

