Fortune Auto Finance Co., Ltd

2021

Annual information disclosure report

April 21, 2022

Contents

Chapter 1 Company's basic information

1.1 Legal name and abbreviation

Full Name in Chinese: 瑞福德汽车金融有限公司

Full Name in English：Fortune Auto Finance Co., Ltd

Abbreviations: FAF

1.2 The registered capital

Registered capital RMB 2 billion.

1.3 The company address and business location

Company Address: Anhui Province, Hefei city, Binhu District, No. 4872 Huizhou Avenue, Financial Harbor, Building A2, floors 17 (1702, 1703, 1704), 18 and 19.

Business location: Anhui Province, Hefei city, Binhu District, No. 4872 Huizhou Avenue, Financial Harbor, Building A2, floors 17 (1702, 1703, 1704), 18 and 19.

1.4 Date of Establishment

The company officially opened in January 2013.

1.5 Scope of business

According to the Articles of Association, the business scope of the company includes:

(a) accepting fixed-term deposits (with a term of or in excess of three (3) months) from (i) wholly-owned subsidiaries located in China (A) of the foreign shareholder of the Company; or (B) within the foreign shareholder's group; and (ii) the domestic shareholder of the Company;

(b) accepting (i) security deposits provided by dealers during the course of vehicle purchase financing, and (ii) lease security deposits provided by lessees of

rental vehicles;

(c) issuing financial bonds (subject to approval);

(d) conducting inter-financial institution borrowing and lending;

(e) borrowing money from financial institutions;

(f) providing loans for the purchase of vehicles;

(g) providing loans to dealers for the purpose of financing (i) the purchase of vehicles; (ii) the purchase of operating equipment including, without limitation, loans for construction of sales rooms and purchase of vehicle spare parts; and (iii) the purchase of equipment for maintenance and repair of vehicles;

(h) the financial leasing of vehicles (other than sale and lease back);

(i) transferring or repurchasing loan receivables and financial lease receivables to or from financial institutions;

(j) sell and dispose of the residual value of leased vehicles;

(k) conducting consultancy or agency business related to the financing of the purchase of vehicles;

(l) conducting equity investment in financial institutions related to auto financing business (subject to approval); and

(m) other businesses as approved by CBRC.

1.6 Legal representative

Legal representative: Mr. Xiang Xingchu (Chairman of the Board)

1.7 The company's official website

http://www.fortuneautofinance.cn/

1.8 Contact number and email address

Customer service phone: 4001668800

Company email: faf@fortuneaf.cn

Chapter 2 Financial accounting reports

FORTUNE AUTO FINANCE CO., LTD.

Audited Financial Statements

Year ended 31 December 2021

Important Notice

The attached financial statements have been translated from the statutory financial statements prepared in accordance with Accounting Standards for Business Enterprises in the People's Republic of China. In the event of any difference in interpreting the financial statements, the Chinese version shall prevail.

CONTENTS

AUDITOR'S REPORT

Ernst & Young Hua Ming (2022) Shen Zi No. 61342464_B01
Fortune Auto Finance Co., Ltd.

To the Board of Directors of Fortune Auto Finance Co., Ltd.

(I) Opinion

We have audited the financial statements of Fortune Auto Finance Co., Ltd. (the "Company"), which comprise the consolidated and the Company balance sheets as at 31 December 2021, and the consolidated and the Company income statements, the consolidated and the Company statements of changes in equity and the consolidated and the Company statements of cash flows for the year then ended, and Notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2021, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). 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 *China Code of Ethics for Certified Public 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.

(III) Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is 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 management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

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

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

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

(1) 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.

(2) 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 internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's 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.

(5) 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.

(IV) 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.

Ernst & Young Hua Ming LLP	Chen Lu
Shanghai Office	Chinese Certified Public Accountant
	Xie Ying
	Chinese Certified Public Accountant
Shanghai, the People's Republic of China	31 March 2022

Fortune Auto Finance Co., Ltd.
Balance Sheet
31 December 2021 **Expressed in Renminbi Yuan**

ASSETS	**Note V**	**31-12-2021**	**31-12-2020**
Balance with the central bank	1	5,598,882.61	64,177,966.90
Deposits in financial institutions	2	4,751,522,627.85	893,056,237.51
Loans and advances to customers	3	17,755,536,911.13	16,351,404,969.15
Fixed assets	4	53,274,754.70	54,250,108.81
Intangible assets	5	13,166,853.37	11,968,100.26
Right-of-use assets	6	5,920,211.61	-
Deferred tax assets	7	204,533,654.89	197,701,074.90
Other assets	8	94,864,068.49	105,549,090.61
TOTAL ASSETS		22,884,417,964.65	17,678,107,548.14
LIABILITIES And OWNERS' EQUITY			
LIABILITIES			
Deposits from shareholders	9	-	1,000,000,000.00
Takings from financial institutions	10	12,119,300,764.33	8,144,170,000.00
Dealer security deposits	11	66,364,494.33	57,057,388.41
Employee benefits payable	12	23,375,281.92	27,886,770.36
Taxes payable	13	89,402,610.17	45,583,093.06
Bonds payable	14	6,968,264,000.22	5,054,747,768.76
Lease liabilities	15	7,334,226.12	-
Other liabilities	16	412,087,798.51	585,547,043.71
TOTAL LIABILITIES		19,686,129,175.60	14,914,992,064.30
OWNERS' EQUITY			
Paid-in capital	17	2,000,000,000.00	2,000,000,000.00
Surplus reserve	18	330,077,544.62	264,467,322.58
General risk reserve	19	22,005,169.62	17,631,154.82
Unappropriated profit	20	846,206,074.81	481,017,006.44
TOTAL OWNERS' EQUITY		3,198,288,789.05	2,763,115,483.84
TOTAL LIABILITIES AND OWNERS' EQUITY		22,884,417,964.65	17,678,107,548.14

The financial statements have been signed by:

Legal Representative _____ President _____ Chief Financial Officer _____

The accompanying notes to financial statements form an integral part of these financial statements.

Fortune Auto Finance Co., Ltd.
Income Statement
31 December 2021 **Expressed in Renminbi Yuan**

	Note V	31-12-2021	31-12-2020
Operating income		1,287,063,049.28	1,386,390,845.25
Net interest income	21	1,078,090,396.32	1,050,675,094.23
Interest income	21	1,889,658,941.22	1,789,377,857.14
Interest expense	21	811,568,544.90	738,702,762.91
Net fee and commission income	22	209,017,691.03	269,044,903.19
Fee and commission income	22	217,567,645.12	276,783,198.44
Fee and commission expense	22	8,549,954.09	7,738,295.25
Investment income	23	-	66,186,072.55
Exchange loss		-	(13,483.02)
Other operating income	24	-	498,258.30
Losses on disposal of assets		(45,038.07)	-
Operating expenses		716,408,260.50	960,959,069.71
Tax and levies	25	14,291,137.30	14,370,739.32
Business and administrative expenses	26	507,091,161.18	472,729,762.57
Other operating expenses	27	-	93,952,830.17
Impairment losses on credits	28	195,025,962.02	
Impairment losses of assets	29		379,905,737.65
Operating profit		570,654,788.78	425,431,775.54
Add: Non-operating income	30	9,508,052,37	15,130,633.35
Less: Non-operating expenses		128,361.60	1,116,858.42
PROFIT BEFORE TAX		580,034,479.55	439,445,550.47
Less: Income tax expense	31	142,632,999.27	106,106,004.02
NET PROFIT		437,401,480.28	333,339,546.45
(I) Classification by nature of going concern:			
1. Net profit from going concern		437,401,480.28	333,339,546.45
OTHER COMPREHENSIVE INCOME - NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME		437,401,480.28	333,339,546.45

The accompanying notes to financial statements form an integral part of these financial statements.

Fortune Auto Finance Co., Ltd.
Statement of Changes in Equity
Year ended 31 December 2021 Expressed in Renminbi Yuan

2021

		Paid-in Capital	Surplus Reserve	General Risk Reserve	Unappropriated Profits	Total Owners' Equity
I.	Balance at 31 December 2020	2,000,000,000.00	264,467,322.58	17,631,154.82	481,017,006.44	2,763,115,483.84
	Changes in accounting policies				(2,228,175.07)	(2,228,175.07)
	Balance at 1 January 2021	2,000,000,000.00	264,467,322.58	17,631,154.82	478,788,831.37	2,760,887,308.77
II.	Movement during the year	-	65,610,222.04	4,374,014.80	367,417,243.44	437,401,480.28
(I)	Total comprehensive income	-	-	-	437,401,480.28	437,401,480.28
(II)	Profit distribution	-	65,610,222.04	4,374,014.80	(69,984,236.84)	-
1.	Transfer to surplus reserve	-	65,610,222.04	-	(65,610,222.04)	-
2.	Transfer to general risk reserve	-	-	4,374,014.80	(4,374,014.80)	-
III.	Balance at 31 December 2021	2,000,000,000.00	330,077,544.62	22,005,169.62	846,206,074.81	3,198,288,789.05

2020

		Paid-in Capital	Surplus Reserve	General Risk Reserve	Unappropriated Profits	Total Owners' Equity
I.	Balance at 1 January 2020	1,000,000,000.00	214,466,390.61	14,297,759.36	1,201,011,787.42	2,429,775,937.39
II.	Movement during the year	1,000,000,000.00	50,000,931.97	3,333,395.46	(719,994,780.98)	333,339,546.45
(I)	Total comprehensive income	-	-	-	333,339,546.45	333,339,546.45
(II)	Profit distribution	-	50,000,931.97	3,333,395.46	(53,334,327.43)	-
1.	Transfer to surplus reserve	-	50,000,931.97	-	(50,000,931.97)	-
2.	Transfer to general risk reserve	-	-	3,333,395.46	(3,333,395.46)	-
(III)	Transfer within the owners' equity	1,000,000,000.00	-	-	(1,000,000,000.00)	-
1.	Transfer to paid-in capital	1,000,000,000.00	-	-	(1,000,000,000.00)	-
III.	Balance at 31 December 2020	2,000,000,000.00	264,467,322.58	17,631,154.82	481,017,006.44	2,763,115,483.84

The accompanying notes to financial statements form an integral part of these financial statements.

Fortune Auto Finance Co., Ltd.
Statement of Cash Flows
Year ended 31 December 2021 **Expressed in Renminbi Yuan**

		Note V	31-12-2021	31-12-2020
I.	Cash flow from operating activities			
	Net decrease in balance with central bank		60,775,047.96	-
	Net increase in dealer security deposits		9,307,105.92	
	Interest, fee and commission received		2,123,228,851.00	2,144,882,861.71
	Cash received from loans written off		109,554,147.76	110,195,966.76
	Other cash received relating to operating activities		9,508,052.37	17,888,118.85
	Subtotal of cash inflows from operating activities		2,312,373,205.01	2,272,966,947.32
	Net increase in balance with central bank		-	30,445,270.14
	Net increase in loans and advances to customers		1,644,452,643.37	872,744,592.75
	Net decrease in dealer security deposits		-	5,353,386.81
	Interests paid for dealer security deposits		186,739.40	267,645.04
	Interest, fee and commission paid		336,552,703.94	189,551,772.77
	Cash paid to and on behalf of employees		100,411,488.44	80,087,090.44
	Taxes paid		119,194,474.43	174,652,270.44
	Other cash paid relating to operating activities		106,874,242.79	410,898,611.53
	Subtotal of cash outflows from operating activities		2,307,672,292.37	1,764,000,639.92
	Net cash flow from operating activities	33	4,700,912.64	508,966,307.40
II.	Cash flow from investing activities			
	Cash received from income in investments classified as receivables		-	66,186,072.55
	Cash received from investments classified as receivables		-	132,931,474.33
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		218,584.08	-
	Subtotal of cash inflows from investing activities		218,584.08	199,117,546.88
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		9,101,066.99	1,909,367.16
	Subtotal of cash outflows from investing activities		9,101,066.99	1,909,367.16
	Net cash flows from investing activities		(8,882,482.91)	197,208,179.72

The accompanying notes to financial statements form an integral part of these financial statements.

Fortune Auto Finance Co., Ltd.
Statement of Cash Flows
Year ended 31 December 2021 **Expressed in Renminbi Yuan**

		Note V	31-12-2021	31-12-2020
III.	Cash flow from financing activities			
	Cash received from issuance of bonds		6,838,000,000.00	6,161,100,000.00
	Cash received relating to deposits from shareholders		-	500,000,000.00
	Cash received relating to taking from financial institution		21,819,860,000.00	11,148,806,000.00
	Sub-total of cash inflows from financing activities		28,657,860,000.00	17,809,906,000.00
	Cash repayments of bonds		4,954,424,268.76	6,878,504,126.82
	Cash paid for settlement of interest expenses		887,451,806.96	743,098,456.91
	Cash repayment of deposits from shareholders		1,000,000,000.00	-
	Cash repayment of takings from other financial institutions		17,951,140,000.00	12,454,699,000.00
	Sub-total of cash outflows from financing activities		24,793,016,075.72	20,076,301,583.73
	Net cash flow from financing activities		3,864,843,924.28	(2,266,395,583.73)
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		-	(13,483.02)
V.	Net increase/ (decrease) in cash and cash equivalents		3,860,662,354.01	(1,560,234,579.63)
	Add: Cash and cash equivalents at the beginning of the year		893,056,237.51	2,453,290,817.14
VI.	Cash and cash equivalents at the end of the year	32	4,753,718,591.52	893,056,237.51

The accompanying notes to financial statements form an integral part of these financial statements.

I. Corporate information

Fortune Auto Finance Co., Ltd. (the "Company") was established in Hefei by Anhui Jianghuai Automobile Co., Ltd. and Santander Consumer Finance, S.A. as a joint venture company on 25 January 2013 and with an operating period of 30 years. The Company is registered at 17F(1702,1703,1704), 18F, and 19F of Building A2, Financial Harbor, Huizhou Avenue, Binhu New District, Hefei, Anhui Province. The registered capital of the Company is RMB2 billion.

In December 2014, according to the Company's Resolution of the Board of Directors and the approval from China Banking Regulatory Commission ("the CBRC" has been reformed as China Banking Insurance Regulatory Commission together with former China Insurance Regulatory Commission, "CBIRC"), Anhui Jianghuai Automobile Co., Ltd. and Santander Consumer Finance, S.A. increased the registered capital of the Company, totaling RMB500,000,000.00. According to the Company's Resolution of the Board of Directors and the approval from China Banking Regulatory Commission, the Company capitalized its unappropriated profits in June 2020, amounting to RMB1 billion. The accumulated registered capital of the Company reached RMB2 billion. The Company was granted the business license (unified social credit code: 91340000717885328P) from Administration of Industry and Commerce of Anhui province.

The Company mainly engages in provision of automobile loans, processing the loans for dealers' purchase of automobiles and operating equipment, accepting dealer security deposits and other businesses approved by CBIRC.

II. Preparation basis of financial statement

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (the "MOF") (collectively referred to as "ASBEs").

The financial statements are presented on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant requirements.

II. Preparation basis of financial statement (continued)

Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely the financial positions of the Company as at 31 December 2021, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

III. Significant accounting policies and estimates

The financial information presented in the 2021 annual financial statements was prepared based on the following significant accounting policies and estimates under ASBEs.

1. Accounting year

The accounting year of the Company is a calendar year, i.e., from 1 January to 31 December of each year.

2. Reporting currency

The Company's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan unless otherwise stated.

3. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Company's cash and cash equivalents include cash and deposits with banks maturing in less than three months (deposits with restrictions excluded).

III. Significant accounting policies and estimates (continued)

4. Foreign currency transactions and foreign currency translation

The Company translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The resulting exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

Foreign currency cash flows are translated using average exchange rates for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

5. Financial instrument (Applicable from January 1, 2021)

Recognition and derecognition

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (Applicable from January 1, 2021) (continued)

Recognition and derecognition (continued)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated balance sheet) when:

(1) The rights to receive cash flows from the financial asset have expired; or
(2) The Company has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. The trade date is the date that the Company committed to purchase or sell a financial asset.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (Applicable from January 1, 2021) (continued)

Classification and measurement of financial assets

An entity shall classify financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:
(a) the entity's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

For financial assets and liabilities classified as fair value through profit or loss ("FVTPL"), related transaction costs are charged to the profit or loss for the current period; for financial assets classified as other categories, related transaction costs are included in the initial recognition amounts.

Subsequent measurement of financial assets depends on categories:

Financial assets at amortised cost
A financial asset shall be measured at amortised cost if both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that the initial amount and the maturity amount and adjusted for any loss allowance.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (Applicable from January 1, 2021) (continued)

Classification and measurement of financial assets (continued)

Subsequent measurement of financial assets depends on categories: (continued):

Financial assets at fair value through other comprehensive income
A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognised in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets and be recognised in profit or loss.

Financial assets at fair value through profit or loss
A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets at fair value through profit or loss in accordance with CAS.

Such financial assets that the Company hold mainly include debt securities and fund investments, and are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Company is entitled to collect, shall be recognised in the income statement.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (Applicable from January 1, 2021) (continued)

Classification, recognition and measurement of financial liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss. Such liabilities, including financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) Financial guarantee contracts and loan commitments which rates are lower than market's.

Such financial liabilities measured at amortised cost that the Company hold mainly include deposits from shareholders, takings from financial institutions and bonds payable and are subsequently measured at amortised cost.

Impairment of financial assets

On the financial reporting date, the Company evaluates and confirms the relevant impairment provisions for financial assets measured at amortised cost, on the basis of anticipated credit losses.

For accounts receivable and contract assets that do not contain significant financing components, the Company uses simplified measurement methods to measure loss reserves at an amount equivalent to the expected credit loss during the entire duration.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (Applicable from January 1, 2021) (continued)

Impairment of financial assets (continued)

Other than the above-mentioned financial assets，according to the changes of credit risk of financial instruments since the initial recognition, the Company calculates the ECLs by three stages:

Stage 1: Financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECLs of the financial instrument for the next 12 months;

Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECLs over the lifetime of the financial instruments;

Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECLs for the lifetime of the financial instruments.

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. For financial instruments with low credit risk, the Company assumes that their credit risk has not increased significantly since the initial recognition.

Please refer to Note 8/(3) for the disclosure of the Company's assumptions on the measurement of expected credit losses.

When one or more events that have an adverse effect on the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has been credit-impaired.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (Applicable from January 1, 2021) (continued)

Transfer of financial assets

A financial asset is derecognised when the Company has transferred substantially all the risks and rewards of the financial asset to the transferee. A financial asset is not derecognised when the Company retains substantially all the risks and rewards of the financial asset.

When the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the financial asset to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability.

6. Financial instruments (Applicable to 2020)

The Company recognizes a financial asset or a financial liability when the enterprise becomes a party to the contract of the financial instrument. Financial assets and financial liabilities are initially recognized at fair value. For financial assets and liabilities classified as fair value through profit or loss (“FVTPL”), related transaction costs are charged to the profit or loss for the current period; for financial assets and liabilities classified as other categories, related transaction costs are included in the initial recognition amounts.

The effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

III. Significant accounting policies and estimates (continued)

6. Financial instruments (Applicable to 2020) (continued)

The effective interest method(continued)

When calculating the effective interest rate, the Company estimates the future cash flows considering all contractual terms of financial assets and financial liabilities (without considering future credit losses). The calculation includes all fees, transaction costs, and all other premiums or discounts paid or received between the parties to the contract that are an integral part of the effective interest rate.

Classification, recognition and measurement of financial assets

On initial recognition, financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables and available-for-sale (AFS) financial assets. For a financial asset trade in regular way, the Company recognizes and derecognizes the financial asset using trade date accounting.

The Company's financial assets are mainly loans and receivables.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables of the Company include deposits with central bank, deposits in financial institutions, loans and advances to customers, interest receivable, investments classified as receivables, and other receivables etc.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Impairment of financial assets

The Company assesses the carrying amount of loans and receivables at each balance sheet date. If there is objective evidence that financial assets are impaired, the Company determines the amount of any impairment losses. The objective evidence that financial assets are impaired refers to evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

III. Significant accounting policies and estimates (continued)

6. Financial instruments (Applicable to 2020) (continued)

Impairment of financial assets (continued)

Objective evidence that a financial asset is impaired includes evidence arising from the following observable events:

(1) Significant financial difficulty of the issuer or obligor;
(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
(4) It has become probable that the borrower will enter into bankruptcy or other financial reorganization;
(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from financial assets of the Company since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset of the Company. Such observable data includes:
– Adverse changes in the payment status of borrowers of the Company of financial assets;
–Adverse changes in the economy of the country or region of the borrowers that might affect the repayment of the Company financial assets;
(7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
(8) A significant or prolonged decline in the fair value of an equity instrument investment;
(9) Other objective evidence indicating there is an impairment of a financial asset.

III. Significant accounting policies and estimates (continued)

6. Financial instruments (Applicable to 2020) (continued)

Impairment of financial assets (continued)

Impairment of financial assets carried at amortized cost
If financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (excluding future credit losses that have not been incurred). The amount of reduction shall be recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related to objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether individually significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

Transfer of financial assets

The Company derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to receive the cash flows from the financial asset expire; or (2) it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to the transferee; or (3) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership but has not retained control of the financial asset.

III. Significant accounting policies and estimates (continued)

6. Financial instruments (Applicable to 2020) (continued)

Transfer of financial assets (continued)

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer, is recognized in profit or loss for the period.

Classification, recognition and measurement of financial liabilities

The Company classifies the financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument according to the definitions of a financial liability and an equity instrument and to the contract terms and their economic substance of the financial instrument rather than its legal form.

On initial recognition financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

The Company’s financial liabilities are mainly other financial liabilities.

Other financial liabilities
Other financial liabilities includes: deposits from shareholders, takings from financial institutions, dealer security deposits, interest payable, other payables and etc.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method; gains or losses arising from derecognition or amortization are recognized in profit or loss for the current period.

III. Significant accounting policies and estimates (continued)

6. Financial instruments (Applicable to 2020) (continued)

Derecognition of financial liabilities

An enterprise shall derecognize a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms shall be accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

When the Company derecognizes a financial liability or a part of it, the Company shall recognize the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the current period.

Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if, and only if, the Company has a current enforceable legal right to set off the recognized amounts and intends to settle on a net basis, or to realize an asset and settle the liability simultaneously. In all other situations they are presented separately in the balance sheet and are not offset.

7. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Company and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

III. Significant accounting policies and estimates (continued)

7. Fixed assets (continued)

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use. Depreciation is calculated using the straight-line method. The useful lives, estimated residual value rates and annual depreciation rates of each category of the fixed assets are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	20 years	3%	4.85%
Electronic equipment	4 years	3%	24.25%
Vehicle	6 years	3%	16.17%
Furniture and others	4-5 years	3%	19.40-24.25%

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and make adjustments if necessary.

8. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Company. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company.

The useful life of each intangible asset is as follows:

	Useful lifes
Software	10 years

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

III. Significant accounting policies and estimates (continued)

9. Impairment of assets

The Company determines the impairment of assets, other than the impairment of financial assets and deferred tax assets, using the following methods:

The Company assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Company estimates the recoverable amount of the asset and performs impairment testing.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Company. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

10. Repossessed assets

Repossessed assets (excluding equity) are initially recognized at their fair value; subsequent measurement is made based on the lower of their book value and recoverable amount, and impairment losses are accrued for repossessed assets whose recoverable amount is lower than the book value.

III. Significant accounting policies and estimates (continued)

11. Employee benefits

Employee benefits refer to all forms of consideration or given by the Company in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits given by the Company to an employee's spouse, children and dependents, family members of deceased employees and other beneficiaries are also employee benefits.

Post-employment benefits (defined contribution plan)

The employees of the Company participate in a pension scheme and unemployment insurance managed by the local government, the corresponding expenses shall be included in the cost of related assets or profit or loss.

Termination Benefits

Where the Company provides termination benefits to employee, the liabilities arising from employee benefits are recognized and included in profit or loss at the earlier of: (1) when the termination benefits are provided because the Company cannot unilaterally withdraw from the termination plan or the redundancy offer; (2) when the Company recognizes the costs or expenses relating to restructure involving payment for termination benefits.

III. Significant accounting policies and estimates (continued)

12. Revenue and Expendure

Revenue is recognized when it is probable that the associated economic benefits will flow into the Company and when the revenue can be measured reliably, on the following bases:

(1) Interest income and interest expense

The "interest income" and "interest expense" in the Company's income statement are the interest income and expense from financial assets using the effective interest rate method at amortised cost, financial assets at fair value with changes recognised through other comprehensive income and financial liabilities at amortised cost.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

For the financial assets acquired or originated with credit impairment, the Company calculates the interest income according to the amortized cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Company. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortized cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Company calculates the interest income in accordance with the amortized cost and the effect interest rate of the financial assets.

III. Significant accounting policies and estimates (continued)

12. Revenue and Expendure (continued)

(2) Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued in accordance with the actual progress. For other services, fee and commission income are recognised when the transactions are completed.

13. Government grants

Government grants are recognised when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: (1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; (2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses. A government grant relating to an asset shall be offset against the carrying amounts of relevant assets, or recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

III. Significant accounting policies and estimates (continued)

14. Income Tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss.

Current tax liabilities or assets arising from the current and prior periods at the amount expected to be paid by the Company or returned by the tax authority calculated according to related tax laws.

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(1) when the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised, except:

(1) when the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover the assets or settle the liabilities.

III. Significant accounting policies and estimates (continued)

14. Income Tax (continued)

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

15. Leases (Applicable from January 1, 2021)

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period of time, the Company assesses whether the customers in the contract are entitled to receive almost all of the economic benefits arising from the use of the identified assets and have the right to dominate the use of identified assets during the period of use.

<u>Recognition of individual leases</u>

At inception of a contract, the Company assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

III. Significant accounting policies and estimates (continued)

15. Leases (Applicable from January 1, 2021) (continued)

Evaluation of lease term

The lease term is the period during which the Company is entitled to use the leased asset and the right is irrevocable. If the Company has the option to renew the lease, that is, it has the right to choose to extend the lease and it is reasonably determined that the option will be exercised, the lease term includes the period covered by the renewal option. If the Company has the option to terminate the lease, that is, has the right to choose to terminate the lease of the asset, but it is reasonably expected that the option will not be exercised, the lease period does not exclude the period covered by the termination lease option. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Company as a lessee

Right-of-use assets
The Company's right-of-use assets consist of buildings

Right-of-use assets are recognised at the commencement date of the lease. right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

III. Significant accounting policies and estimates (continued)

15. Leases (Applicable from January 1, 2021) (continued)

Company as a lessee (continued)

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term, except short-term leases and leases of low-value assets. In calculating the present value of lease payments, the Company uses internal interest rate, or incremental borrowing rate when internal interest rate is not obtainable. The Company uses fixed interest rate to calculate interest expense on lease liabilities and recognises profit or loss. Variable lease payments, not included in lease liabilities, are recognized as profit or loss when made.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a change in lease payments, estimated payable amounts of guarantee residual value, discount rate, or situations that influence the Company's decision whether to exercise purchase options, extension options, or termination options.

Changes in leases
Changes in lease are the changes in the lease scope, lease consideration, and lease duration. Lease changes include the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term in the contract.

When the following conditions are met, the Company regards the change as a separate lease change in the process of accounting treatment.

(1) The lease change expands the scope of the lease by adding the right to use one or more leased assets;
(2) The increase in consideration is equivalent to the price of the additional part of the lease scope.

III. Significant accounting policies and estimates (continued)

15. Leases (Applicable from January 1, 2021) (continued)

Company as a lessee (continued)

Changes in leases (continued)
If the lease change is not regarded as a separate change, on the effective date of the lease change, the Company re-determines the lease term and calculates the present value of the lease payment to remeasure the lease liability. In the process of calculating the present value of lease payments after the change, the Company refers to the interest rate implicit in lease in the remaining lease period as the discount rate. If the leased interest rate is not available, the Company adopts incremental borrowing rate to calculate the present value of lease payment. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Based on the above lease adjustment, the Company distinguishes the following situations for accounting treatment.

(1) If the lease change leads to a short lease term or small lease scope, the Company reduces the book value of right-of-use assets to represent the partial or complete termination of lease. The relevant gain or loss of termination are included in current profits and losses.
(2) In terms of other lease changes, the Company adjusts the book value of the right-of-use asset accordingly.

III. Significant accounting policies and estimates (continued)

15. Leases (Applicable from January 1, 2021) (continued)

Company as a lessee (continued)

Short-term leases and leases of low-value assets
The Company recognises leases without purchase options that do not exceed 12 months as short-term leases; Leases are regarded as low-value asset leases if the cost of a single leased asset does not exceed RMB30,000. In each period of the lease term, the relevant asset costs or expenses are calculated in accordance with the straight-line method, and the contingent rent is included in the current profit or loss when it actually occurs.

16. Leases (Applicable to 2020)

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards to ownership to the lessee. All other leases are classified as operating.

The Company as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the lease term, and are either included in the cost of the assets or charged to profit or loss for the period when they are incurred. Contingent rents are charged to profit or loss for the period when they are incurred.

III. Significant accounting policies and estimates (continued)

17. Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value. Use of observable inputs is maximized and unobservable inputs will only be used when observable inputs are not available or obtaining observable inputs becomes unpractical.

According to the degree that the input is observable and the significance of such input to the fair value measurement in its entirety, the fair value measurement is categorized into three levels as follows:

• Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
• Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
• Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities held at the end of the balance sheet date that are measured at fair value on a recurring basis, the Company continues to make assessment as to whether there is transfer between different levels of the fair value hierarchy.

III. Significant accounting policies and estimates (continued)

18. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the financial statements:

Business models
The classification of financial assets at the time of initial recognition depends on the business model of the Company in managing financial assets. When judging the business model, the Company considers the ways of enterprise evaluation and reporting the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, as well as the ways of relevant business management personnel getting remuneration, etc. When evaluating whether the target is to collect the contract cash flow, the Company needs to analyze and judge the reason, time, frequency and value of the sale of financial assets before the maturity date.

Characteristics of the contractual cash flow
The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of principal and interest based on outstanding principal, including the correction of time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with prepayment characteristics, it is necessary to judge whether the fair value of prepayment characteristics is very small.

III. Significant accounting policies and estimates (continued)

18. Significant accounting judgments and estimates (continued)

Judgments (continued)

Income tax
Determining income tax provisions requires the Company to estimate the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that whether adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Judgement in assessing control over structured entities
The Company is involved with structured entities in its normal business course, and the Company determines whether or not to consolidate those structured entities depending on whether the Company has control over them. When assessing control over structured entities, the Company takes account of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and link between power and returns.

The variable returns the Company is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as direct investment income, remuneration and exposure to loss from providing credit enhancement or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Company not only considers applicable legal or regulatory requirements and contractual agreements, but also other circumstances where the Company may have obligation to absorb any loss of the structured entity.

The Company reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

III. Significant accounting policies and estimates (continued)

18. Significant accounting judgments and estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Impairment losses of financial instruments
The Company measures the impairment losses on all financial assets in accordance with Cas 22 including many estimates and judgments in the process, especially in determining the amount of impairment losses, estimating future contractual cash flows, the value of collateral and judging the significant increase in credit risk. The Company is affected by various factors in the measurement of impairment, which will result in different levels of impairment provision.

The Company's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs.

The accounting judgments and estimates used in the expected credit loss model include:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECLs
- Forward-looking information
- Modification of contractual cash flows

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

III. Significant accounting policies and estimates (continued)

18. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (Except goodwill)
The Company judges whether there are indications of impairment of non-financial-and-non-current assets at balance sheet date. Besides annual impairment tests, additional impairment tests will be carried out for intangible assets with indefinite operational life spans where exist indications of impairments. Other non-current assets are tested for impairment when there is an indication that the carrying amounts are not recoverable. When estimating the present value of future cash flows, management must estimate the future cash flows of the asset or asset group and select an appropriate discount rate to determine the present value of future cash flows.

19. Changes in accounting policies

New Financial Instrument Standards

In 2017, the Ministry of Finance issued revised "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23-Transfers of Financial Assets", and "Accounting Standards for Business Enterprises No. 24-Hedging" Value Preservation, "Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments" (collectively referred to as "New Financial Instruments Standards"). The Company adopted New financial standard from 1 January 2021. The Company has not restated comparative information for 2020 for financial instruments in the scope of Cas 22. Therefore, the comparative information for 2020 is not comparable to the information presented in these consolidated financial statements for 2021. Differences arising from the adoption of New financial standard have been recognised directly in shareholders' equity as at 1 January 2021.

In Cas 22, financial assets are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income.

III. Significant accounting policies and estimates (continued)

19. Changes in accounting policies (continued)

New Financial Instrument Standards (continued)

New Financial instruments standard requires that the impairment measurement for financial assets be changed from “incurred loss model” to “expected credit loss model”. It is applicable to financial assets measured at amortized cost.

The compared results of the balances in financial statements from original standards to new standards:

	Original standards			New standards	
	Category	Amount	Interest receivable	Category	Amount
Cash and deposit with the Central Bank	L&R	64,177,966.90	-	Amortization cost	64,177,966.90
Due from and placements with banks and other financial institutions	L&R	893,056,237.51	3,068,977.51	Amortization cost	896,125,215.02
Loans and advances to customers	L&R	16,351,404,969.15	62,656,548.67	Amortization cost	16,411,090,617.73
Other receivables	L&R	28,796,611.73	-	Amortization cost	28,796,611.73
.....					

Transition disclosures of the balances in financial statements from Original standards to New standards:

	NOTE	Original standards 31-12-2020	Interest receivable	Re-measurement ECL	New standards 01-01-2021
Financial assets at amortised cost					
Balances with central bank		64,177,966.90	-	-	64,177,966.90
deposits and placements with banks		893,056,237.51	3,068,977.51	-	896,125,215.02
Loans and advances		16,351,404,969.15	62,656,548.67	(2,970,900.09)	16,411,090,617.73
Other receivables		28,796,611.73	-	-	28,796,611.73
Total		17,337,435,785.29	65,725,526.18	(2,970,900.09)	17,400,190,411.38

III. Significant accounting policies and estimates (continued)

19. Changes in accounting policies (continued)

New Financial Instrument Standards (continued)

The following table reconciles the aggregate opening impairment allowances under Original Standards at 31 December 2020 to the impairment allowances under CAS 22 at 1 January 2021:

Measurement category	Original standards	Re-measurement	New standards
Loans and receivables(Original Standards)/ Financial assets at amortised cost(New standards)			
Balances with central bank	-	-	-
Deposits in financial institutions	-	-	-
Loans and advances to customers	473,042,184.03	2,970,900.09	476,013,084.12
Other receivables	458,665.46	-	458,665.46
Total	473,500,849.49	2,970,900.09	476,471,749.58

The main effects of retrospective adjustments caused by the above accounting policy changes on shareholders' equity are as follows:

	Retained earnings
Retained earnings	
The ending balance on December 31, 2020 under the original financial instrument standards	481,017,006.44
Expected credit losses under the new financial instrument standards	(2,970,900.09)
The above impact on deferred tax	742,725.02
The opening balance on January 1, 2021 under the New Financial Instrument Standards	478,788,831.37
Total equity changes after the adoption of the new financial instrument standards	2,228,175.07

III. Significant accounting policies and estimates (continued)

19. Changes in accounting policies (continued)

Changes in the presentation of financial statements

According to <Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises>(Cai Kuai [2018] No. 36), as a financial institution that has implemented the New Financial Instrument Standards and the New Revenue Standards, the Company will make accruals based on the effective interest rate method. The interest of financial instruments is included in the book value of the corresponding financial instruments, and the item of "interest receivable" or "interest payable" is no longer listed separately. The "Interest Receivable" and "Interest Payable" subjects only reflect the interest that the relevant financial instruments have expired and can be collected or paid but have not been received or paid on the balance sheet date, and are included in "other assets" and "other liabilities" ”Listed in the item. This accounting policy change has no impact on the Company's net profit and shareholders' equity.

New Revenue Standards (“Cas 14”)

In 2017, the Ministry of Finance issued the revised "Accounting Standards for Business Enterprises No. 14-Revenue" (referred to as "New Revenue Standards"). New Revenue Standard establish a new five-step model that will apply to revenue arising from contracts with customers. Under Cas 14, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in Cas 14 provide a more structured approach to measuring and recognising revenue. Cas 14 does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Company’s revenue, including net interest income, net trading gains and net gains on financial investments which are covered under Cas 22. The Company has adopted Cas 21 since 1 January 2021, the Company has conducted a detailed assessment and the adoption of the above-mentioned revisions will not have a significant impact on the company's financial statements.

III. Significant accounting policies and estimates (continued)

19. Changes in accounting policies (continued)

New Lease Standards ("Cas 21")

Under Cas 21, the classifications of finance lease and operating lease for lessees are removed, and lessees recognise right-of-use assets and lease liabilities for all leases (except short-term leases and leases of low-value assets elected to be accounted for using a practical expedient) and recognise depreciation and interest expense respectively.

The Company has adopted Cas 21 since 1 January 2021 and applied the modified retrospective approach without restating comparative figures. The Company has not reassessed the existing contracts before 1 January 2021 (date of initial application) and has used practical expedients. As a lessee, the Company has elected to exercise the recognition exemption not to recognise the right-of-use assets and lease liabilities for leases of which the underlying assets are of low value or for which the contract would end within 12 months from the date of initial application, and has recognised the profit or loss on a straight-line basis over the lease term. Therefore, the financial information for the year ended 31 December 2021 related to leasing presented on the financial statements is not comparable with the comparative financial information presented in the 2020 financial statements in accordance with the former lease standards.

For the outstanding minimum lease payment for operating leases disclosed in the financial statements of 2020, the Company used its incremental borrowing interest rate as at 1 January 2021 to discount the lease payment, and the reconciliation to the opening balance for the lease liabilities in the statement of financial position as at 1 January 2021 is as follows:

Minimum lease payment for operating leases as at 31 December 2020	**2,472,712.00**
Less: Commitments relating to those leases with a remaining lease term ending on or before 31 December 2021	2,472,712.00
Weighted average incremental borrowing rate as at 1 January 2021	6%
ease liabilities as at 1 January 2021	-

IV. Taxation

Corporate income tax

The applicable income tax rate for the Company is 25%.

Value-added tax and others

The value-added tax payable of the Company is calculated by subtracting the deductible input tax from the output tax. According to the related regulations, the output tax equals 6% of the taxable income. City Construction & Maintenance Fee of the Company is paid at 7% of tax base. Education Fee and Surcharge of the Company is paid at 5% of tax base. Water Conservancy Construction Fund of the Company is paid at 0.6‰ of the tax base.

V. Notes to the financial statements

1. Cash and deposit with the Central Bank

	31-12-2021	31-12-2020
Statutory reserve with the Central Bank	3,402,918.94	63,377,966.90
Interest receivable	2,195,963.67	800,000.00
Total	5,598,882.61	64,177,966.90

Balance with the central bank is a statutory reserve according to relevant regulations promulgated by the People's Bank of China, and the reserve could not be used for daily operations or without the approval of the People's Bank of China. The reserve was deposited at a rate of the end of ten-day period balances of the dealer security deposits and deposits from shareholders, and the rate of deposit was 5% as of 31 December 2021 (31 December 2020: 6%).

2. Deposits in financial institutions

	31-12-2021	31-12-2020
Deposits in domestic financial institutions		
Interest receivable	4,751,522,627.85	893,056,237.51
Total	4,751,522,627.85	893,056,237.51

V. Notes to the financial statements (continued)

3. Loans and advances to customers

(1) The loans and advances categorized by personal loans and corporate loans are as follows:

	31-12-2021	31-12-2020
Personal loans and advances		
–Consumer automobile loans	17,952,576,240.97	16,564,752,868.90
Subtotal	17,952,576,240.97	16,564,752,868.90
Corporate loans and advances		
–Business automobile loans	49,853,710.35	76,330,374.75
–Dealer loans	199,746,416.65	183,363,909.53
Subtotal	249,600,127.00	259,694,284.28
Total	18,202,176,367,97	16,824,447,153.18
Interest receivable	65,966,100.10	-
Total loans and advances	18,268,142,468.07	16,824,447,153.18
Less:Loan loss provision	512,605,556.94	473,042,184.03
-Collectively assessed	-	396,683,852.58
-Individually assessed	-	76,358,331.45
-Expected credit losses	512,605,556.94	-
Book value of loans and advances	17,755,536,911.13	16,351,404,969.15

V. Notes to the financial statements (continued)

3. Loans and advances to customers (continued)

(2) The loans and advances categorized by guarantee loans and mortgage loans showing the contract agreement period are as follows:

	31-12-2021			31-12-2020		
	Within 1 year (Including 1 year)	1 year to 5 years (Including 5 years)	Total	Within 1 year (Including 1 year)	1 year to 5 years (Including 5 years)	Total
Guarantee loans	199,746,416.65	-	199,746,416.65	183,363,909.53	-	183,363,909.53
Mortgage loans	106,985,496.70	17,895,444,454.62	18,002,429,951.32	176,447,346.55	16,464,635,897.10	16,641,083,243.65
Subtotal	306,731,913.35	17,895,444,454.62	18,202,176,367.97	359,811,256.08	16,464,635,897.10	16,824,447,153.18
Interest receivable			65,966,100.10			-
Total loans and advances			18,268,142,468.07			16,824,447,153.18
Less:						
Loan loss provision			512,605,556.94			473,042,184.03
-Collectively assessed			-			396,683,852.58
-Individually assessed			-			76,358,331.45
-Expected credit losses			512,605,556.94			-
Book value of loans and advances			17,755,536,911.13			16,351,404,969.15

V. Notes to the financial statements (continued)

3. Loans and advances to customers (continued)

(3) Overdue loans:

	31-12-2021				
	Overdue 1 day to 60 days (Including 60 days)	Overdue 61 days to 360 days (Including 360 days)	Overdue 361 days to 3 years (Including 3 years)	Overdue over 3 years	Total
Guarantee loans	101,899.00	-	-	-	101,899.00
Mortgage loans	341,364,973.72	117,246,380.07	-	-	458,611,353.79
Total	341,466,872.72	117,246,380.07	-	-	458,713,252.79

	31-12-2020				
	Overdue 1 day to 60 days (Including 60 days)	Overdue 61 days to 360 days (Including 360 days)	Overdue 361 days to 3 years (Including 3 years)	Overdue over 3 years	Total
Guarantee loans	-	-	-	877,574.53	877,574.53
Mortgage loans	186,017,984.88	102,844,349.66	480,855.00	-	289,343,189.54
Total	186,017,984.88	102,844,349.66	480,855.00	877,574.53	290,220,764.07

Loans overdue for more than 60 days are classified by the Company into non-performing loans. Due to the changes in the loan risk management policies, the Company provides a grace period for repayment to certain users this year. Loans with the overdue days not exceeding the grace period are not included in overdue loans. The grace period can be 1-2 days. At the end of this year, the balance of loans within the grace period is RMB138,916,101.16 （ As at December 31 2020, the balance of loans within the grace period is RMB677,327,956.48）.

V. Notes to the financial statements (continued)

3. Loans and advances to customers (continued)

(4) Changes in loan loss provision:

	2020/12/31			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL - impaired)	Totall
As at 31 December 2020	380,201,598.63	16,482,253.94	76,358,331.46	473,042,184.03
Changes in accounting policies	(41,123,675.88)	28,670,364.15	15,424,211.82	2,970,900.09
Opening balance	339,077,922.75	45,152,618.09	91,782,543.28	476,013,084.12
Charge / (reversal) during the year	(26,669,108.99)	55,861,666.60	163,900,194,43	193,092,752.04
Stage conversion				
Transfers to Stage 1	11,591,254.22	(8,835,159.02)	(2,756,095.20)	-
Transfers to Stage 2	(5，337,245.36)	5,988,204.75	(650,959.39)	-
Transfers to Stage 3	(1,895,124.40)	(2,615,967.54)	4,511,091.94	-
Write-off during the year	-	-	(266,054,426.98)	(266,054,426.98)
Recovery of loans and Advances written off	-	-	109,554,147.76	109,554,147.76
Closing balance	316,767,698.22	95,551,362.88	100,286,495.84	512,605,556.94

	2020/12/31		
	Collectively assessed	Individually assessed	Totall
Opening balance	295,626,203.66	113,930,425.61	409,556,629.27
Charge / (reversal)during the year	101,057,648.92	278,590,729.21	379,648,378.13
Write-off during the year	-	(426,358,790.13)	(426,358,790.13)
Recovery of loans and advances written-off	-	110,195,966.76	110,195,966.76
Closing balance	396,683,852.58	76,358,331.45	473,042,184.03

4. Fixed assets

31-12-2021	Building	Electronic equipment	Vehicle	Furniture and others	Total
Original cost					
Balance at the beginning of the year	53,905,404.46	14,792,696.62	921,845.29	2,488,669.29	72,108,615.66
Additions during the year	-	3,944,438.72	735,734.50	20,796.46	4,700,969.68
Disposals during the year	-	(2,404,963.16)	(921,845.29)	-	(3,326,808.45)
Balance at the end of the year	53,905,404.46	16,332,172.18	735,734.50	2,509,465.75	73,482,776.89
Disposals during the year					
Accumulated depreciation					
Balance at the beginning of the year	5,664,559.59	10,456,487.62	558,868.73	1,178,590.91	17,858,506.85
Additions during the year	2,614,412.12	2,153,869.35	129,090.36	443,180.86	5,340,552.69
Disposals during the year	-	(2,332,814.21)	(658,223.14)	-	(2,991,037.35)
Balance at the end of the year	8,278,971.71	10,277,542,76	29,735.95	1,621,771.77	20,208,022.19
Net book value					
Balance at the beginning of the year	48,240,844.87	4,336,209.00	362,976.56	1,310,078.38	54,250,108.81
Balance at the end of the year	45,626,432.75	6,054,629.42	705,998.55	887,693.98	53,274,754.70

31-12-2020	Building	Electronic equipment	Vehicle	Furniture and others	Total
Original cost					
Balance at the beginning of the year	53,905,404.46	13,532,837.05	921,845.29	2,477,899.38	70,837,986.18
Additions during the year	-	1,259,859.57	-	10,769.91	1,270,629.48
Balance at the end of the year	53,905,404.46	14,792,696.62	921,845.29	2,488,669.29	72,108,615.66
Accumulated depreciation					
Balance at the beginning of the year	3,050,147.47	8,499,711.94	409,837.07	707,444.52	12,667,141.00
Additions during the year	2,614,412.12	1,956,775.68	149,031.66	471,146.39	5,191,365.85
Balance at the end of the year	5,664,559.59	10,456,487.62	558,868.73	1,178,590.91	17,858,506.85
Net book value					
Balance at the beginning of the year	50,855,256.99	5,033,125.11	512,008.22	1,770,454.86	58,170,845.18
Balance at the end of the year	48,240,844.87	4,336,209.00	362,976.56	1,310,078.38	54,250,108.81

V. Notes to the financial statements (continued)

5. Intangible assets

Software	31-12-2021	31-12-2020
Original cost		
-Balance at the beginning of the year	30,273,979.33	29,635,241.65
-Additions during the year	4,400,097.31	638,737.68
-Balance at the end of the year	34,674,076.64	30,273,979.33
Accumulated depreciation		
-Balance at the beginning of the year	18,305,879.07	15,267,567.57
-Additions during the year	3,201,344.20	3,038,311.50
-Balance at the end of the year	21,507,223.27	18,305,879.07
Net book value		
-Balance at the beginning of the year	11,968,100.26	14,367,674.08
-Balance at the end of the year	13,166,853.37	11,968,100.26

6. Use-of-right

	Buliding	Total
Cost		
1-1-2021	-	-
Additions during the year	7,153,589.03	7,153,589.03
31-12-2021	7,153,589.03	7,153,589.03
Accumulated depreciation		
1-1-2021	-	-
Depreciation of the year	1,233,377.42	1,233,377.42
31-12-2021	1,233,377.42	1,233,377.42
Book value in total	5,920,211.61	5,920,211.61

V. Notes to the financial statements (continued)

7. Deferred tax assets

	Deductible temporary differences		Deferred tax assets	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Loan loss provision	333,554,693.35	304,797,712.50	83,388,673.34	76,199,428.11
Loans written off but not deducted	156,500,279.22	316,162,823.37	39,125,069.81	79,040,705.84
Adjustments to subsidised loans	183,273,258.29	169,385,098.35	45,818,314.57	42,346,274.58
Provision for impairment loss of Other assets	2,391,875.44	458,665.46	597,968.86	114,666.37
Wage payable	21,862,461.50	-	5,465,615.38	-
Provision for impairment loss of Investment	120,552,051.78	-	30,138,012.93	-
Total	818,134,619.58	790,804,299.68	204,533,654.89	197,701,074.90

V. Notes to the financial statements (continued)

8. Other assets

	31-12-2021	31-12-2020
Prepayments	3,479,476.50	3,233,653.27
Interest receivable (1)	5,897,286.25	73,977,491.07
Other receivables (2)	84,818,304.14	28,337,946.27
Others	669,001.60	-
Total	94,864,068.49	105,549,090.61

(1) Interest receivable

	31-12-2021	31-12-2020
Interest receivable from loans	5,897,286.25	70,908,513.56
Interest receivable from deposits in financial institutions	-	3,068,977.51
Total	5,897,286.25	73,977,491.07

On 31st December, the interest receivable disclosed by the Company during the year was interest receivable on the relevant financial instruments that are due but not received at the end of the reporting period, and interest on financial instruments based on the effective interest rate method is included as part of the carrying value of the financial assets.

(2) Other receivables

Nature of other receivables:

	31-12-2021	31-12-2020
Advance payment	5,366,640.91	5,811,636.13
Funds to be settled	3,911,952.12	11,143,045.21
ABS reserve	74,787,157.51	-
Others	3,144,429.04	11,841,930.39
Subtotal	87,210,179.58	28,796,611.73
Less: provision for impairment loss	(2,391,875.44)	(458,665.46)
Total	84,818,304.14	28,337,946.27

V. Notes to the financial statements (continued)

9. Deposits from shareholders

	31-12-2021	31-12-2020
Deposits from shareholders	-	1,000,000,000.00
Total	-	1,000,000,000.00

10. Takings from financial institutions

	31-12-2021	31-12-2020
Borrowings from financial institutions	11,322,890,000.00	7,224,170,000.00
Takings from financial institution	690,000,000.00	920,000,000.00
Subtotal	12,012,890,000.00	8,144,170,000.00
Interest payable	106,410,764.33	-
Total	12,119,300,764.33	8,144,170,000.00

11. Dealer security deposits

	31-12-2021	31-12-2020
Dealer security deposits	66,108,322.03	57,057,388.41
Interest payable	256,172.30	-
Total	66,364,494.33	57,057,388.41

Interest expenses of the dealer security deposits were recognized according to the length of time for which the deposits are used and effective interest rate agreed between the Company and dealers.

V. Notes to the financial statements (continued)

12. Employee benefit payable

31-12-2021	2020/12/31	Accruals	Payments	2021/12/31
Wages or salaries, bonuses, allowances and subsidies	27,387,186.25	70,888,858.78	76,413,583.53	21,862,461.50
Social insurance	-	4,060,982.69	4,060,982.69	-
Of which:				
-Medical insurance	-	3,934,762.65	3,934,762.65	-
-Work-related injury insurance	-	95,470.25	95,470.25	-
-Maternity insurance	-	30,749.79	30,749.79	-
Housing funds	-	6,144,699.72	6,144,699.72	-
Labour union fee and staff education cost	499,584.11	2,235,637.27	1,222,400.96	1,512,820.42
Employee services and benefits	-	4,094,641.22	4,094,641.22	-
Severance	-	187,239.00	187,239.00	-
Defined contribution plan (1)	-	8,287,941.32	8,287,941.32	-
Total	27,886,770.36	95,900,000.00	100,411,488.44	23,375,281.92

31-12-2020	2019/12/31	Accruals	Payments	2020/12/31
Wages or salaries, bonuses, allowances and subsidies	16,300,000.00	76,096,673.63	65,009,487.38	27,387,186.25
Social insurance	-	2,849,937.56	2,849,937.56	-
Of which:				
-Medical insurance	-	2,789,483.97	2,789,483.97	-
-Work-related injury insurance	-	30,654.43	30,654.43	-
-Maternity insurance	-	29,799.16	29,799.16	-
Housing funds	-	5,655,560.88	5,655,560.88	-
Labour union fee and staff education cost	248,783.15	928,800.96	678,000.00	499,584.11
Employee services and benefits	-	3,907,441.63	3,907,441.63	-
Severance	-	98,867.00	98,867.00	-
Defined contribution plan (1)	-	1,887,795.99	1,887,795.99	-
Total	16,548,783.15	91,425,077.65	80,087,090.44	27,886,770.36

V. Notes to the financial statements (continued)

12. Employee benefit payable (continued)

(1) The Company participates in the pension insurance and unemployment insurance plan established by the government authorities based on the relevant rules, and paid for the plan based on a fixed proportion of employee's salary. In addition to the above monthly payment, the Company is no longer liable for further payment. The expense shall be recorded into profit and loss in the period when they are actually incurred.

The Company paid RMB8,019,106.07and RMB268,835.25 to the pension insurance and unemployment insurance plan respectively during the year (2020: RMB1,804,910.78 and RMB82,885.21). As of 31 December 2021, the Company has no outstanding payment to pension insurance and unemployment insurance (As of 31 December 2020: RMB0).

13. Interest payable

	31-12-2021	31-12-2020
Income tax	37,052,016.03	18,187,477.61
City construction & maintenance fee	1,685,407.38	1,692,092.98
Education fee and surcharge	1,203,862.42	1,208,637.84
Value added tax	48,541,110.02	24,172,756.89
Others	920,214.32	322,127.74
Total	89,402,610.17	45,583,093.06

V. Notes to the financial statements (continued)

14. Bonds payable

	31-12-2021	31-12-2020
XinRong 2019 First-phase Asset Backed Securities[(a)]	-	7,116,743.72
Fortune 2019 Financial Bonds[(b)]	1,500,000,000.00	1,500,000,000.00
XinRong 2019 Second-phase Asset Backed Securities[(c)]	-	290,963,207.00
XinRong 2020 First-phase Asset Backed Securities[(d)]	-	940,013,706.37
XinRong 2020 Second-phase Asset Backed Securities[(e)]	-	1,151,594,248.29
XinRong 2020 Third-phase Asset Backed Securities[(f)]	157,136,000.00	1,165,059,863.38
XinRong 2021 First-phase Asset Backed Securities[(g)]	628,187,500.00	-
XinRong 2021 Second-phase Asset Backed Securities[(h)]	2,500,000,000.00	-
XinRong 2021 Third-phase Asset Backed Securities[(i)]	2,153,000,000.00	-
Subtotal	6,938,323,500.00	5,054,747,768.76
Interest receivable	29,940,500.22	-
Total	6,968,264,000.22	5,054,747,768.76

(a) The Company, via trust with special purpose, publicly issued the first phase assets-backed securities of Xinrong for 2019 amounting to RMB2.035 billion based on personal automobile loans in the national inter-bank bond market on 24 May 2019, including RMB1.880 billion via book building and RMB155 million via directional issue to the initiator respectively. Level-A assets-backed securities and Level-B assets-backed securities are with a floating rate of interest, with the coupon rate being the "benchmark interest rate" plus the corresponding "basic interest rate spreads", wherein, the "benchmark interest rate" refers to the benchmark interest rate released by the People's Bank of China for 1-5 year loans.

(b) The Company publicly issued financial bonds amounting to RMB1.5 billion via book building in the national inter-bank bond market on 11 September 2019. The bonds were issued at the face value with a fixed interest rate of 6% and a term of 3 years.

V. Notes to the financial statements (continued)

14. Bonds payable (continued)

(c) The Company, via trust with special purpose, publicly issued the second phase assets-backed securities of Xinrong for 2019 amounting to RMB2,999.95 million based on personal automobile loans in the national inter-bank bond market on 18 December 2019, including RMB2.575 billion via book building and RMB424.95 million via directional issue to the initiator respectively. Level-A assets-backed securities and Level-B assets-backed securities are with a floating rate of interest, with the coupon rate being the "benchmark interest rate" plus the corresponding "basic interest rate spreads", wherein, the "benchmark interest rate" refers to the benchmark interest rate released by the People's Bank of China for 1-5 year loans.

(d) The Company, via trust with special purpose, publicly issued the first phase assets-backed securities of Xinrong for 2020 amounting to RMB3 billion based on personal automobile loans in the national inter-bank bond market on 22 May 2020, including RMB2.55 billion via book building and RMB450 million via directional issue to the initiator respectively. The senior assets-backed securities are with a fixed interest rate of 3.09%.

(e) The Company, via trust with special purpose, publicly issued the second phase assets-backed securities of Xinrong for 2020 amounting to RMB2.5 billion based on personal automobile loans in the national inter-bank bond market on 25 August 2020, including RMB2.001 billion via book building and RMB499 million via directional issue to the initiator respectively. The senior assets-backed securities are with a fixed interest rate of 3.30%.

(f) The Company, via trust with special purpose, publicly issued the third phase assets-backed securities of Xinrong for 2020 amounting to RMB2 billion based on personal automobile loans in the national inter-bank bond market on 6 November 2020, including RMB1.610 billion via book building and RMB390 million via directional issue to the initiator respectively. The senior assets-backed securities are with a fixed interest rate of 3.90%.

V. Notes to the financial statements (continued)

14. Bonds payable (continued)

(g) The Company, via trust with special purpose, publicly issued the third phase assets-backed securities of Xinrong for 2021 amounting to RMB2.5 billion based on personal automobile loans in the national inter-bank bond market on 7 April 2021, including RMB2.185 billion via book building and RMB315 million via directional issue to the initiator respectively. The senior assets-backed securities are with a fixed interest rate of 3.48%.

(h) The Company, via trust with special purpose, publicly issued the third phase assets-backed securities of Xinrong for 2021 amounting to RMB3 billion based on personal automobile loans in the national inter-bank bond market on 10 August 2021, including RMB2.5 billion via book building and RMB500million via directional issue to the initiator respectively. Level-A1 assets-backed securities are with a fixed interest rate of 3.19% and Level-A2 assets-backed securities are with a fixed interest rate of 3.44%.

(i) The Company, via trust with special purpose, publicly issued the third phase assets-backed securities of Xinrong for 2021 amounting to RMB2.5 billion based on personal automobile loans in the national inter-bank bond market on 12 November 2021, including RMB2.153billion via book building and RMB347million via directional issue to the initiator respectively. Level-A1 assets-backed securities are with a fixed interest rate of 3.24% and Level-A2 assets-backed securities are with a fixed interest rate of 3.40%.

V. Notes to the financial statements (continued)

15. Lease liabilities（*For 2021 only*）

	31-12-2021
Housing rental	7,334,226.12
Tota	7,334,226.12

16. Other liabilities

	31-12-2021	31-12-2020
Deferred revenue (1)	183,273,258.29	169,385,098.35
Interest payable (2)	-	106,191,138.77
Accrued expenses	120,552,051.78	167,733,969.69
Agency security deposits (3)	46,415,421.54	50,601,422.84
Other payables	61,847,066.90	91,635,414.06
Total	412,087,798.51	585,547,043.71

(1) Deferred revenue mainly is the interest subsidies from dealers and manufacturers. Dealers and manufacturers offer interest discounts to personal loans for promotion. The Company amortized the confirmed interest subsidies during the period of the loans.

(2) Interest payable

	31-12-2021	31-12-2020
Interest payable to takings from domestic financial institutions	-	64,489,915.88
Interest payable to dealer security deposits	-	265,859.43
Interest payable to shareholder deposits	-	1,400,972.22
Interest payable to bonds issued	-	40,034,391.24
Total	-	106,191,138.77

On 31st December, the interest payable disclosed by the Company during the year was interest receivable on the relevant financial instruments that are due but not received at the end of the reporting period, and interest on financial instruments based on the effective interest rate method is included as part of the carrying value of the financial liabilities.

(3) To control the default risk of retail agencies, the Company collects agency security deposits based on the credit status.

V. Notes to the financial statements (continued)

17. Paid-in capital

	Currency	31-12-2021 Proportion(%)	RMB Equivalent
Anhui Jianghuai Automobile Co., Ltd.	RMB	50.00	1,000,000,000.00
Santander Consumer Finance, S.A.	EUR	50.00	1,000,000,000.00
Total		100.00	2,000,000,000.00

	Currency	31-12-2020 Proportion(%)	RMB Equivalent
Anhui Jianghuai Automobile Co., Ltd.	RMB	50.00	1,000,000,000.00
Santander Consumer Finance, S.A.	EUR	50.00	1,000,000,000.00
Total		100.00	2,000,000,000.00

Above capital contributions have been verified by verification report DeShiBao (Yan) Zi (12) No.0052 issued by Deloitte Touché Tohmatsu CPA Ltd.,DeShiBao (Yan) Zi (14) No.1360 issued by Deloitte Touché Tohmatsu CPA LLP, and DeShiBao (Yan) Zi (20) No.00319 issued by Deloitte Touché Tohmatsu CPA LLP.

18. Surplus reserve

	31-12-2021	31-12-2020
Opening balance	264,467,322.58	214,466,390.61
Charged during the year	65,610,222.04	50,000,931.97
Closing balance	330,077,544.62	264,467,322.58

According to the Company Law of the PRC and the articles of association, the statutory surplus reserve is extracted from after-tax profit of the Company by 10% and the discretionary surplus reserve is extracted from after-tax profit of the Company by 5%. The extraction will cease when the accumulated amount of the statutory surplus reserve exceed 50% of the registered capital. The statutory surplus reserve during the year is extracted from net profit of this year by 10% and the discretionary surplus reserve during the year is extracted from net profit of this year by 5%.

V. Notes to the financial statements (continued)

19. General risk reserve

	31-12-2021	31-12-2020
Opening balance	17,631,154.82	14,297,759.36
Charged during the year	4,374,014.80	3,333,395.46
Closing balance	22,005,169.62	17,631,154.82

Refer to the Circular of the Ministry of Finance Regarding the Release of Financial Rules for Finance Enterprises - Guidelines for Implementation, finance enterprises that are classified as financial companies shall set aside general risk reserves equal to 1% of the net profits for the current year to compensate for losses; these funds shall not be used for profit sharing or an increase of registered capital. According to our 2021 profits distribution plan, RMB4,374,014.80 has been set aside as general risk reserves.

20. Unappropriated profit

	31-12-2021	31-12-2020
Opening balance	481,017,006.44	1,201,011,787.42
Add:Changes in accounting policies	(2,228,175.07)	-
Balance at 1 January 2021	478,788,831.37	1,201,011,787.42
Net profit for the year	437,401,480.28	333,339,546.45
Less: Transfer to statutory surplus reserve	43,740,148.03	33,333,954.65
Transfer to discretionary surplus reserve	21,870,074.01	16,666,977.32
Transfer to general risk reserve	4,374,014.80	3,333,395.46
Transfer to paid-in capital	-	1,000,000,000.00
Closing balance	846,206,074.81	481,017,006.44

V. Notes to the financial statements (continued)

21. Net interest income

	31-12-2021	31-12-2020
Interest income		
- Deposits in financial institutions and the central bank	35,325,482.03	37,489,224.93
- Loans and advance to customers	1,854,333,459.19	1,751,888,632.21
Wherein: Personal loans and advances	1,834,542,045.63	1,732,042,907.76
Corporate loans and advances	19,791,413.56	19,845,724.45
Sub-total	1,889,658,941.22	1,789,377,857.14
Interest expense		
- Deposits from shareholders	50,913,194.45	33,840,277.77
- Takings from financial institutions	511,747,620.97	448,664,619.80
- Dealer security deposits	177,052.27	191,252.90
- Bonds payable	248,550,040.12	256,006,612.44
-Lease liabilities	180,637.09	-
Sub-total	811,568,544.90	738,702,762.91
Net interest income	1,078,090,396.32	1,050,675,094.23

22. Net fee and commission income

	31-12-2021	31-12-2020
Fee and commission income		
-Fee income from credit asset service for asset-backed securities	-	3,920,629.61
-Others	217,567,645.12	272,862,568.83
Subtotal	217,567,645.12	276,783,198.44
Fee and commission expenses		
-Bank services	8,549,954.09	7,738,295.25
Subtotal	8,549,954.09	7,738,295.25
Net fee and commission income	209,017,691.03	269,044,903.19

V. Notes to the financial statements (continued)

23. Investment income

	31-12-2021	31-12-2020
Income from investments classified as receivables	-	66,186,072.55

24. Other operating income

	31-12-2021	31-12-2020
Amercement income in dealer loans	-	10,613.21
Others	-	487,645.09
Total	-	498,258.30

25. Tax and levies

	31-12-2021	31-12-2020
City construction & maintenance fee	6,757,020.62	6,881,277.22
Education fee and surcharge	4,826,443.31	4,915,198.03
Water conservancy construction fund	1,254,964.34	1,262,256.77
Others	1,452,709.03	1,312,007.30
Total	14,291,137.30	14,370,739.32

26. Business and administrative expenses

	31-12-2021	31-12-2020
Staff salary and welfare	95,900,000.00	91,425,077.65
Marketing expenses	281,166,132.78	209,072,004.31
Operation and maintenance fees	11,424,158.29	12,020,151.68
Travel and transport expenses	9,717,796.58	9,381,451.79
Depreciations and amortization	9,775,274.31	8,229,677.35
Professional service fee	22,076,107.00	12,823,257.17
Rental expense	2,302,665.79	4,829,711.01
Office expenses	1,721,566.75	2,152,437.59
Communication expenses	4,579,924.13	4,698,646.69
Entertainment expenses	1,436,008.02	1,203,303.74
Others	66,991,527.53	116,894,043.59
Total	507,091,161.18	472,729,762.57

V. Notes to the financial statements (continued)

27. Other operating expenses

	31-12-2021	31-12-2020
Insurance expenses	-	93,952,830.17
Total	-	93,952,830.17

The Company signed the Credit Insurance Contract of Financial Institutions for Loan Losses with the insurance company in regard to joint loans. It is agreed that the cooperative bank (joint lender) is the beneficiary. In 2020, expenses incurred by the Company under contracts amount to RMB 93,952,830.17 in total.

28. Impairment losses of credits

	31-12-2021	31-12-2020
Impairment losses		
- Loans and advances to customers	193,092,752.04	-
- Other assets	1,933,209.98	-
Total	195,025,962.02	-

29. Impairment losses of assets

	31-12-2021	31-12-2020
Impairment losses		
- Loans and advances to customers	-	379,648,378.13
- Other assets	-	257,359.52
Total	-	379,905,737.65

V. Notes to the financial statements (continued)

30. Non-operating income

	31-12-2021	31-12-2020
Others	9,508,052.37	15,130,633.35
Total	9,508,052.37	15,130,633.35

31. Income tax expense

	31-12-2021	31-12-2020
Current year income tax expenses	148,722,854.24	97,422,122.41
Deferred income tax expenses	(6,089,854.97)	8,683,881.61
Total	142,632,999.27	106,106,004.02

Reconciliation of income tax expenses to accounting profits is as follows:

	31-12-2021	31-12-2020
Total profit	580,034,479.55	439,445,550.47
Income tax calculated at the statutory interest rate of the year 25%	145,008,619.88	109,861,387.64
Effects of non-tax deductible expenses	346,990.58	120,330.38
Tax-exempted revenue	(2,971,106.19)	(3,875,714.00)
	248,495.00	-
Total	142,632,999.27	106,106,004.02

32. Cash and cash equivalents

	31-12-2021	31-12-2020
Balances with central bank	2,195,963.67	-
Deposits in financial institutions	4,751,522,627.85	893,056,237.51
Total	4,753,718,591.52	893,056,237.51

V. Notes to the financial statements (continued)

33. Supplementary information of cash flow statement

	31-12-2021	31-12-2020
Reconciliation of net profit to cash flows from operating activities		
Net profit	437,401,480.28	333,339,546.45
Add:Impairment losses of credits	195,025,962.02	-
Impairment losses of assets	-	379,905,737.65
Depreciation of fixed assets	5,340,552.69	5,191,365.85
Amortization of intangible assets	3,201,344.20	3,038,311.50
Amortization of long-term prepayments	1,233,377.42	-
Interest expense of funding	811,391,492.63	738,511,510.01
Increase in accrued expenses	47,181,917.91	26,440,155.00
Loss on disposal of fixed assets -	117,187.02	-
Income from investments classified as receivables	-	(66,186,072.55)
Exchange losses	-	13,483.02
Increase/(decrease) in deferred tax assets	(6,089,854.97)	8,683,881.61
Increase in operating receivables	(1,448,814,077.07)	(716,616,019.40)
Decrease in operating payables	(41,288,469.49)	(202,605,361.53)
Net cash outflow from operating activities	4,700,912.64	509,716,537.61
Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalent	4,753,718,591.52	893,056,237.51
Less: Opening balance of cash and cash equivalents	893,056,237.51	2,453,290,817.14
Net increase/(decrease) in cash and cash equivalents	3,860,662,354.01	(1,560,234,579.63)

V. Notes to the financial statements (continued)

34. Rights in structured entities

The Company's structured entities included in the scope of the consolidated financial statements are special-purpose trusts initiated by the Company for issuing ABS. The details of the issuance of the Company's ABSs are disclosed in Note 14. The structured entities included in the scope of the consolidation in 2021 are as below:

Special-purpose entity “XinRong 2020 Third-phase Personal Auto Mortgage Loan Asset Backed Securities”
Special-purpose entity “XinRong 2021 First-phase Personal Auto Mortgage Loan Asset Backed Securities”
Special-purpose entity “XinRong 2021 Second-phase Personal Auto Mortgage Loan Asset Backed Securities”
Special-purpose entity “XinRong 2021 Third-phase Personal Auto Mortgage Loan Asset Backed Securities”

VI. SEGMENT REPORTING

According to the Company's organizational structure, management requirements and internal reporting system, the Company was operated and managed as a whole. Therefore the whole Company was treated as one operating division and this reporting segment is determined based on the internal organizational structure of the Company. Management conducts regular evaluation on their operating results to determine resource allocations and assess the performance.

VII. Capital adequacy ratio

The Company applied the “Administrative Measures for Capital Adequacy Ratio of Commercial Banks (for Trial Implementation)” (CBRC 2012 No.1). The Company’s capital adequacy ratio and core capital adequacy ratio are as follows:

	31-12-2021	31-12-2020
Risk weight asset	17,635,663,622.36	15,816,677,934.02
Net capital	3,371,326,641.93	2,914,523,418.65
-Net core tier-1 capital	3,185,121,935.68	2,751,081,689.90
Supplementary capital	-	-
Market risk asset	-	-
Core capital adequacy ratio (%)	18.06	17.39
Capital adequacy ratio (%)	19.12	18.43

VIII. Financial instruments risk management

1. Financial instruments classification

Carrying amounts of the Company's financial instruments as at balance sheet date are as follows:

Financial assets as at amortised cost

	31-12-2021	31-12-2020
Cash and deposit with the Central Bank	5,598,882.61	64,177,966.90
Due from and placements with banks and other financial institutions	4,751,522,627.85	893,056,237.51
Loans and advances to customers	17,755,536,911.13	16,351,404,969.15
Other financial assets	90,715,590.39	102,315,437.34
Total	22,603,374,011.98	17,410,954,610.90

Financial liabilities:

	31-12-2021	31-12-2020
Time deposits	-	1,000,000,000.00
Due to and placements from banks and other financial institutions	12,119,300,764.33	8,144,170,000.00
Deposit from Dealers	66,364,494.33	57,057,388.41
Bonds payable	6,968,264,000.22	5,054,747,768.76
Lease liabilities	7,334,226.12	-
Other financial liabilities	228,814,540.22	416,161,945.36
Total	19,390,078,025.22	14,672,137,102.53

VIII. Financial instruments risk management(continued)

2. Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety

On 6 November 2020, the Company transferred personal auto mortgage loans amounting to RMB 2,000,285,607.66 to Anhui Guoyuan Trust Co., Ltd. to establish ABS. The ABS is separated into priority portion and subordinate portion, amounting to RMB 1,610,000,000.00 (80.49%) and RMB 390,285,607.66 (19.51%), respectively.

On 7 April 2021, the Company transferred personal auto mortgage loans amounting to RMB 3,150,000,001.32 (excessive mortgage amounting to RMB 650,410,001.32) to Anhui Guoyuan Trust Co., Ltd. to establish ABS. The ABS is separated into priority portion and subordinate portion, amounting to RMB 2,185,000,000.00 (87.41%) and RMB 314,590,000.00 (12.59%), respectively.

On 10 August 2021, the Company transferred personal auto mortgage loans amounting to RMB 3,435,000,036.14 (excessive mortgage amounting to RMB 435,000,036.14) to Anhui Guoyuan Trust Co., Ltd. to establish ABS. The ABS is separated into priority level-A1 portion , priority level-A2 portion and subordinate portion, amounting to RMB 2,164,000,000.00 (72.13%) , RMB 336,000,000.00 (11.20%) and RMB 500,000,000.00 (16.67%), respectively.

On 12 November 2021, the Company transferred personal auto mortgage loans amounting to RMB 2,934,458,896.21 (excessive mortgage amounting to RMB 434,458,896.21) to Anhui Guoyuan Trust Co., Ltd. to establish ABS. The ABS is separated into priority level-A1 portion , priority level-A2 portion and subordinate portion, amounting to RMB 1,813,000,000.00 (72.52%) , RMB 340,000,000.00 (13.60%) and RMB 347,000,000.00 (13.88%), respectively

The Company repurchased the entire subordinate portion of above-mentioned ABS, which retains almost all the risks and rewards of the corresponding financial assets. Therefore the financial assets have not been derecognized, and the corresponding liabilities were recognized as bonds payable.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk

Overview of risks

The Company is exposed to various risks in its financial business operations. The Company manages all types of risk through ongoing risk identification, assessment and monitoring. TheCompany's business operation is mainly exposed to credit risks, liquidity risks and market risks. Market risks include foreign exchange rate risks, interest rate risks and other price risks.

The Company's risk management objectives are to properly balance risks and yield and operate prudently under an appropriate risk profile.

Risk management framework

The Board of Directors is responsible for establishing the Company's overall risk management strategy; monitoring the risk management and internal control system; and evaluating the overall risks of the Company. Senior management is responsible for undertaking the risk management policies, systems and processes according to the risk management strategy formulated by the Board of Directors. The Company's key risk management functions are carried out by the following units including Risk Control Department and Finance Department. They are responsible for implementing the Company's various risk management strategies and policies. Internal Audit is responsible for the independent supervision and examination on the Company's risk management and compliance control environment.

Credit risk

Credit risk means the risk that debtor or the transaction component might not be able to carry out his obligation stipulated in the contract when due. It exists in the Company's personal and corporate loan business.

Credit risk management

The Company standardizes its credit risk management, including investigation and reporting, process of loan review and approval before credit lending, credit lending, post-lending monitoring and non-performing loan management. The Company formulated detailed guidelines on the five-classification standards, following on the "Provision Guidance on Risk Classification of Assets for Non-Banking Financial Institutions (trial)" issued by CBRC.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Credit risk (continued)

Credit risk management (continued)

The Company's credit officers are responsible for application materials collection, pre-lending investigation, and preliminary credit risk assessment on the applicant and the credit applied. The Company determines the facility amount base on various factors including the applicant's credit standing; financial condition; collaterals or guarantee available; overall credit risk for loan portfolio; relevant government laws and regulations. The Company also integrated macro-control policies to development guidelines for credit policy to ensure the appropriateness of the Company's loan structure. The Company manages non-performing loans, through the following methods (1) soft collection; (2) loan restructure; (3) disposal of collaterals or claim on guarantor; (4) litigation or arbitration; (5) loan written-off write-off based on regulations and etc, to minimize the potential credit risk loss.

The Company manages and classifies personal loans based on overdue days. For non-overdue personal loans, the Company enhances monitoring through periodic visits. For overdue personal loans, the Company shall take various debt collection method. For personal loans overdue for a certain period, the Company shall classify them as impaired assets and provide appropriate provison for impairment loss.

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Company measures the impairment loss for different assets based on 12-month ECLs or lifetime ECLs. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of Cas 22, the Company takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Credit risk (continued)

Relative definitions are listed as follows:

(1) PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Company's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

(2) LGD refers to the Company's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss on risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

(3) EAD is the amount that the Company should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Company identifies the key economic indicators that affect the credit risk and ECLs of various business types.

The impact of these economic indicators on the probability of default and loss given default is different for different types of business. In this process, the Company applied expert judgments. Based on the results of expert judgments, these economic indicators are forecasted annually, and the forecasts are scored. After the score results of each factor are determined, the forward-looking information are calculated to determine these economic indicators. The impact of indicators on the PD and LGD.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Credit risk (continued)

Maximum credit risk exposure information

Putting aside the consideration of collaterals available or other credit enhancement possibilities, the maximum credit risk exposure information represents the worst situation of credit risk exposure at the balance sheet date. The financial assets value, indicative of the credit risk exposure as of the balance sheet date, is the balance of the carrying amount of the financial assets less the following 2 items: 1) the amount offset pursuant to the requirement in the CAS 37 - Presentation and Disclosures of Financial Instruments; 2) the recognized impairment loss of the financial assets.

Information on the maximum credit risk exposure of the Company is as below:

	31-12-2021	31-12-2020
Balance sheet items		
-Balance with the central bank	5,598,882.61	64,177,966.90
-Receivables from financial institutions	4,751,522,627.85	893,056,237.51
-Loans and advances to customers	17,755,536,911.13	16,351,404,969.15
-Other financial assets (1)	90,715,590.39	102,315,437.34
Subtotal of balance sheet items	22,603,374,011.98	17,410,954,610.90
Subtotal of off-balance sheet items	-	-
Total	22,603,374,011.98	17,410,954,610.90

(1) Other financial assets include interest receivables and other receivables.

Under normal circumstances, the Company takes certain amount of credit enhancement measures. In addition, in order to minimize credit risk, when there is an indication of impairment of the Company's loans, the Company would immediately require the borrowers to provide additional collateral or guarantee. The ratio for the loan ended against collateral is 70%.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Credit risk (continued)

Loans and advances to customers and receivables from financial institutions

Overdue and impairment

	31-12-2021		31-12-2020	
	Loans and advances	Deposits and placements with banks	Loans and advances	Deposits and placements with banks
Not yet overdue and not yet impaired (i)	17,809,091,498.60	4,751,522,627.85	16,533,910,031.65	893,056,237.51
Overdue but not yet impaired (ii)	341,140,587.98	-	185,309,686.86	-
Impaired (iii)	117,910,381.49	-	105,227,434.67	-
Total	18,268,142,468.07	4,751,522,627.85	16,824,447,153.18	893,056,237.51
Less: Impairment loss provision	512,605,556.94	-	473,042,184.03	-
Total	18,780,748,025.01	4,751,522,627.85	16,351,404,969.15	893,056,237.51

(i) Not yet overdue and not yet impaired

31-12-2021	Normal	Normal	Total
Personal loans and advances	17,553,817,486.50	5,336,053.27	17,559,153,539.77
Corporate loans and advances	249,495,763.56	442,195.27	249,937,958.83
Loans and advances to customers	17,803,313,250.06	5,778,248.54	17,809,091,498.60
Receivables from financial institutions	4,751,522,627.85	-	4,751,522,627.85

31-12-2020	Normal	Normal	Total
Personal loans and advances	16,275,609,917.56	1,194,865.15	16,276,804,782.71
Corporate loans and advances	257,105,248.94	-	257,105,248.94
Loans and advances to customers	16,532,715,166.50	1,194,865.15	16,533,910,031.65
Receivables from financial institutions	893,056,237.51	-	893,056,237.51

VIII. FINAN Financial instruments risk management(continued)

3 Financial instruments risk (continued)

Credit risk (continued)

Loans and advances to customers and receivables from financial institutions (continued)

(ii) Overdue but not yet impaired

31-12-2021	Overdue within 30 days	Overdue 31-60 days	Overdue over 60 days	Total
Personal loans and advances	267,924,719.30	72,813,689.85	-	340,738,409.15
Corporate loans and advances	402,178.83	-	-	402,178.83
Loans and advances to customers	268,326,898.13	72,813,689.85	-	341,140,587.98
Receivables from financial institutions	-	-	-	-

31-12-2020	Overdue within 30 days	Overdue 31-60 days	Overdue over 60 days	Total
Personal loans and advances	147,022,848.99	38,084,832.07	-	185,107,681.06
Corporate loans and advances	195,906.20	6,099.60	-	202,005.80
Loans and advances to customers	147,218,755.19	38,090,931.67	-	185,309,686.86
Receivables from financial institutions	-	-	-	-

(iii) Impa

As of 31 December 2021, the impaired loans and advances to customers amounted to RMB117,910,381.49in total (As of 31 December 2020: RMB105,227,434.67).

Analysis on credit risk concentration of loans and advances

The Company's credit risk concentration of loans and advances means that the borrowers concentrate in an industry, a region or have some common economic characteristics, and hence increases respective credit risk. (1) The Company is an auto financial company, with most loans concentrate on auto industry. Industrial concentration is relatively high. (2) The Company's business scope covers Mainland China, and wholesalers and retailers in China provinces. Regional concentration is relatively low.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Liquidity risk

Liquidity risk is the risk that no sufficient fund will be available for debt repayment in due. Liquidity risk of the Company mainly arises from delay in loan repayment by borrowers, the mismatch of the amount and maturity of assets and liabilities.

The cash flow of financial assets and liabilities held by the Company is shown in the table below according to their remaining term calculated from the balance sheet date to the maturity data specified in the contract. Both the financial assets and financial liabilities are disclosed at non-discounted cash flow amounts based on agreements.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Liquidity risk (continued)

31-12-2021	Current/Overdue	Immediate repayment	Within 1 month	1-3 months	3-12 months	1-5 years	Total
Financial assets							
Balance with the central bank	5,598,882.61	-	-	-	-	-	5,598,882.61
Deposit in financial institutions	-	4,751,522,627.85	-	-	-	-	4,751,522,627.85
Loans and advances to customers	264,961,665.99	-	339,284,972.21	431,215,204.89	3,461,347,756.61	17,221,999,961.22	21,718,809,560.92
Other financial assets	-	-	90,715,590.39	-	-	-	90,715,590.39
Subtotal of financial assets	270,560,548.60	4,751,522,627.85	430,000,562.60	431,215,204.89	3,461,347,756.61	17,221,999,961.22	26,566,646,661.77
Financial liabilities							
Deposit from shareholders	-	-	-	-	-	-	-
Deposit from financial institutions	-	-	1,409,762,909.33	2,435,105,503.92	6,306,376,815.23	2,287,248,033.33	12,438,493,261.81
Dealer security deposits	66,108,322.03	-	256,172.30	-	-	-	66,364,494.33
Lease liabilities	-	-	443,821,097.79	842,807,417.35	3,877,191,985.64	1,975,533,059.13	7,139,353,559.91
Bonds payable	-	-	-	2,120,480.00	2,385,540.00	2,828,206.12	7,334,226.12
Other financial liabilities	-	-	228,814,540.22	-	-	-	228,814,540.22
Subtotal of financial liabilities	66,108,322.03	-	2,082,654,719.64	3,280,033,401.27	10,185,954,340.87	4,265,609,298.58	19,880,360,082.39
Net	204,452,226.57	4,751,522,627.85	(1,652,654,157.04)	(2,848,818,196.38)	(6,724,606,584.26)	12,956,390,662.64	6,686,286,579.38

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Liquidity risk (continued)

31-12-2020	Current/Overdue	Immediate repayment	Within 1 month	1-3 months	3-12 months	1-5 years	Total
Financial assets							
Balance with the central bank	64,177,966.90	-	-	-	-	-	64,177,966.90
Deposit in financial institutions	-	623,056,237.51	-	-	280,340,890.41	-	903,397,127.92
Loans and advances to customers	197,615,309.36	-	865,137,897.52	484,244,128.21	3,112,645,443.16	15,461,667,294.85	20,121,310,073.10
Other financial assets	-	-	102,315,437.34	-	-	-	102,315,437.34
Subtotal of financial assets	261,793,276.26	623,056,237.51	967,453,334.86	484,244,128.21	3,392,986,333.57	15,461,667,294.85	21,191,200,605.26
Financial liabilities							
Deposit from shareholders	-	-	-	-	1,033,576,250.00	-	1,033,576,250.00
Deposit from financial institutions	-	-	1,159,355,979.17	2,910,884,250.23	4,275,299,773.19	-	8,345,540,002.59
Dealer security deposits	57,057,388.41	-	265,859.43	-	-	-	57,323,247.84
Bonds payable	-	-	478,743,299.40	808,429,344.58	2,178,354,724.10	1,838,777,550.39	5,304,304,918.47
Other financial liabilities	-	-	309,970,806.59	-	-	-	309,970,806.59
Subtotal of financial liabilities	57,057,388.41	-	1,948,335,944.59	3,719,313,594.81	7,487,230,747.29	1,838,777,550.39	15,050,715,225.49
Net	204,735,887.85	623,056,237.51	(980,882,609.73)	(3,235,069,466.60)	(4,094,244,413.72)	13,622,889,744.46	6,140,485,379.77

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Market risks

Market risks refer to the risks of losses in the Company's on-sheet and off-sheet business due to adverse changes in market prices. The Company's market risks mainly include interest rate risk, foreign exchange risk and other price risk. Market risks lie in the Company's interest rate risk.

As a specialized management department, the Company's Financial Department centralized management of market risks. At present, the Company has established preliminary market risk management system, and established procedures and reporting system for market risks management.

Sensitivity analysis is the Company's major means to assess and measure the market risks. Sensitive analysis considers effects on relevant market risks when it is assumed that only one single variable changes. As any risk variable seldom changes alone and the relevance between variables will have significant effects on the final effect amount of changes of one certain risk variable, the results of sensitivity analysis can only provide limited information about market risks.

Interest rate risk

Interest rate risk mainly arises from reprising maturity gap of the financial assets and financial liabilities held by the Company. The Company monitors the reprising maturity gap of the interest sensitive assets and liabilities regularly through gap analysis system, adjusts the proportion and maturity of sensitive assets and liabilities actively and thus manages the interest rate risk.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Interest rate risk (continued)

On the balance sheet date, the repricing date or maturity date (whichever is earlier) of the Company's financial assets and financial liabilities are disclosed as follows:

31-12-2021	Within 1 month	1-3 months	3-12 months	1-5 years	Non-interest-bearing	Total
Financial assets						
Balance with the central bank	5,598,882.61	-	-	-	-	5,598,882.61
Deposit in financial institutions	4,751,522,627.85	-	-	-	-	4,751,522,627.85
Loans and advances to customers	174,006,995.27	117,361,434.32	2,102,365,579.56	15,294,796,384.52	67,006,517.46	17,755,536,911.13
Other financial assets	-	-	-	-	90,715,590.39	90,715,590.39
Subtotal of financial assets	4,931,128,505.73	117,361,434.32	2,102,365,579.56	15,294,796,384.52	157,722,107.85	22,603,374,011.98
Financial liabilities						
Deposit from shareholders	-	-	-	-	-	-
Deposit from financial institutions	1,389,960,000.00	2,396,030,000.00	6,126,400,000.00	2,100,500,000.00	106,410,764.33	12,119,300,764.33
Dealer security deposits	66,108,322.03	-	-	-	256,172.30	66,364,494.33
Bonds payable	-	157,136,000.00	2,128,187,500.00	4,653,000,000.00	29,940,500.22	6,968,264,000.22
Lease liabilities	-	-	-	7,334,226.12	-	7,334,226.12
Other financial liabilities	-	-	-	-	228,814,540.22	228,814,540.22
Subtotal of financial liabilities	1,456,068,322.03	2,553,166,000.00	8,254,587,500.00	6,760,834,226.12	365,421,977.07	19,390,078,025.22
Net Financial assets	3,475,060,183.70	(2,435,804,565.68)	(6,152,221,920.44)	8,533,962,158.40	(207,699,869.22)	3,213,295,986.76

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Market risks (continued)

Interest rate risk (continued)

On the balance sheet date, the repricing date or maturity date (whichever is earlier) of the Company's financial assets and financial liabilities are disclosed as follows:

31-12-2020	Within 1 month	1-3 months	3 to 12 months	1-5 years	Non-interest-bearing	Total
Financial assets						
Balance with the central bank	64,177,966.90	-	-	-	-	64,177,966.90
Deposit in financial institutions	623,056,237.51	-	270,000,000.00	-	-	893,056,237.51
Loans and advances to customers	711,211,415.91	193,009,195.49	1,854,061,513.55	13,590,687,228.84	2,435,615.37	16,351,404,969.15
Other financial assets	-	-	-	-	102,315,437.34	102,315,437.34
Subtotal of financial assets	1,398,445,620.32	193,009,195.48	2,124,061,513.55	13,590,687,228.84	104,751,052.71	17,410,954,610.90
Financial liabilities						
Deposit from shareholders	-	-	1,000,000,000.00	-	-	1,000,000,000.00
Deposit from financial institutions	1,136,550,000.00	2,863,040,000.00	4,144,580,000.00	-	-	8,144,170,000.00
Dealer security deposits	57,057,388.41	-	-	-	-	57,057,388.41
Bonds payable	7,116,743.72	-	2,382,571,161.66	2,665,059,863.38	-	5,054,747,768.76
Other financial liabilities	-	-	-	-	416,161,945.36	416,161,945.36
Subtotal of financial liabilities	1,200,724,132.13	2,863,040,000.00	7,527,151,161.66	2,665,059,863.38	416,161,945.36	14,672,137,102.53
Net	197,721,488.19	(2,670,030,804.52)	(5,403,089,648.11)	10,925,627,365.46	(311,410,892.65)	2,738,817,508.37

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Market risks (continued)

Interest rate risk (continued)

Sensitivity analysis of interest rate
The following table illustrates the impact of the increase or decrease of the yield rate of all currencies by 100 basis points in parallel on the net profit of the Company, based on the structure of earning assets and interest-bearing liabilities on the balance sheet date.

Interest Floating	31-12-2021	31-12-2020
Appreciate by 100 basis points	(10,483,009.00)	(31,420,720.00)
Depreciate by 100 basis points	10,483,009.00	31,420,720.00

The above sensitive analysis is measured on the basis that all assets and liabilities have static interest rate risk structure. The analysis measures the interest rate change in one year and reflects the effect on the profit of the Company due to repricing of the assets and liabilities. The relevant assumptions are shown below: (1) all assets and liabilities repriced again at the middle of the period for within 3 months and 3-12 months. (2) The yield curve moves parallel with the change of interest rate (moving up/down by 100 basis points). (3) The portfolio of assets and liabilities has no other change. Based on the above-mentioned assumptions, the actual effect on the Company's profit due to change in interest rate may be different as compared with the result of the sensitivity analysis.

Foreign currency risk

Foreign currency risk is the fair value or future cash flow fluctuation of financial instrument resulting from changes in foreign exchange rates. On the condition that the Company has conducted capital exchange settlement and can only conduct RMB business in compliance with regulations of Auto finance companies management approach, the company has no foreign currency risk as at 31 December 2021 as well as 31 December 2020.

IX. Fair value of financial instruments

The management has already assessed cash and deposits in central bank, placements with banks, short-term time deposits, bonds payable and so on, their fair values are approach to their book values due to short residual maturities.

The fair values of financial assets and financial liabilities are determined by trading opponents who are familiar with trading condition to conduct assets exchange or bond repayments willingly in fair trades, not the amount generated in forced sales or clearing process. The following methods and assumptions are suitable in estimate fair values.

Issuing loans, borrowing funds, bonds payable etc., the future discounted cash flow method is used to determine the fair value using other similar financial instruments with terms of the contract, credit risk, remaining period and characteristics in essentially market rate as discount rate. In 31 December 2021, the violation risk assessment to borrowing funds and bonds payable is not significant.

X. Related parties relationship and transactions

1. Standards for identification of related parties

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

X. Related parties relationship and transactions(continued)

1. Standards for identification of related parties (continued)

The following parties are the related parties of the Company:

a) Parent of the Company;
b) Subsidiaries of the Company;
c) Other entities controlled by the parent of the Company;
d) Investors that have joint control over the Company;
e) Investors that have significant influence over the Company;
f) Associates of the Company;
g) Joint ventures of the Company；
h) Principal individual investors of the Company and close family members of such individuals;
i) Key management personnel of the Company or of the parent and close family members of such individuals; and
j) Other entities controlled or jointly controlled by the Company's principal individual investors, key management personnel or close family members of such individuals.
k) Associates or joint ventures of other associated unites (Including parent companies and subsidiaries) of the Company;
l) Associates or joint ventures that implement joint control to the Company;
m) Associates that have a significant influence of the Company;

2. The relationship between the Company and related parties

The relationship between the Company and related parties:

Name of related parties	Relationship with the company
Anhui Jianghuai Automobile Co., Ltd.	Investor of the Company
Banco Santander, S.A. Shanghai Branch	Branch of Investor's Parent Company

Name	Nature of the Business	Registration	Registered Capital	Type of legal entity	Legal representative
Anhui Jianghuai Automobile Co., Ltd.	Automobile manufacturing and sales	Hefei Anhui	RMB1,893,312,000	company limited by shares	Xiang Xinchu
Banco Santander S.A. Shanghai Branch	Bank	Shanghai China	RMB800,000,000	branch of a foreign (regional) limited liability company	Liu Jianwei
Banco Santander S.A. Hongkong Branch	Bank	Hongkong China	EUR 8,670,320,651	Overseas institutions	Hung Yuk Hung Antony

X. Related parties relationship and transactions (continued)

3. Related party transactions

(1) Interest expense

	31-12-2021 Amount	31-12-2020 Amount
Interest expenses of deposits from shareholders		
Anhui Jianghuai Automobile Co., Ltd.	50,913,194.45	33,840,277.77
Interest expenses of deposits from financial institutions		
Banco Santander S.A. Shanghai Branch	24,148,888.57	77,048,680.57
Banco Santander S.A. Hongkong Branch	40,354,689.37	-

The interest is calculated according to the length of time for which deposits are used and certain agreed rates.

(2) Amounts due from/ to related parties

Accounts	Related parties	31-12-2021	31-12-2020
Deposits from shareholders	Anhui Jianghuai Automobile Co., Ltd.	-	1,000,000,000.00
Takings from financial institutions	Banco Santander, S.A. Shanghai Branch	-	1,000,000,000.00
Takings from financial institutions	Banco Santander, S.A. Hongkong Branch	1,000,000,000.00	-
Interest payable	Anhui Jianghuai Automobile Co., Ltd.	-	1,400,972.22
Interest payable	Banco Santander, S.A. Shanghai Branch	-	17,058,611.11
Interest payable	Banco Santander, S.A. Hongkong Branch	35,763,888.89	-

XI. Commitments

At the balance sheet date, the Company, as lessee, had the following commitments in respect of irrevocable operating leases:

	31-12-2020
The minimum lease payments under irrevocable operating leases:	
Within one year	2,472,712.00
In the second year	-
	2,472,712.00

XII. Post balance sheet date events

Financial statements for the year ended 31 December 2021, there were no other significant subsequent events besides events mentioned above up to the reporting date.

XIII. Comparative amounts

Accordingly, certain comparative amounts have been restated to conform to the current year's presentation and accounting treatment.

XIV. Approval of financial statements

The financial statements have been authorised for issuance by the board of directors on 31 March 2022.

Chapter 3 Risk management information

Risk management information has been presented in Note VIII.3 of the attached Audited Financial Statements for the year ended 31st of December, 2021.

Chapter 4 Corporate governance information

4.1 A brief description of the actual controller and his control over the company

The company is a joint venture between Anhui Jianghuai Automobile Group Corp., Ltd. and Santander Consumer Finance S.A., each holding 50% of the shares. Anhui Jianghuai Automobile Group Corp., Ltd. and Santander Consumer Finance S.A. are the actual controllers of the company.

4.2 Shareholders holding more than 5% of the shares of the company and their changes in shareholding

Shareholders holding more than 5% of the shares of the company in 2021 were: Anhui Jianghuai Automobile Group Corp., Ltd. (50% of shares) and Santander Consumer Finance S.A. (50% of the shares). There were no changes in shareholding in 2021.

4.3 Duties and main resolutions of the general meeting of shareholders

The Company has been set up under the People's Republic of China's Law on Sino-Foreign Equity Joint Ventures (2016 Amendment), which did not require setting up general meeting of shareholders, making Board of Directors the supreme decision-making organ of the company.

According to the Implementing Regulations for the People's Republic of China's Foreign Investment Law (2019) issued by the State Council, the Company should adjust its organizational scheme, structure, and standard operating procedures established under the previous law and make them consistent with the corporate governance requirements under the People's Republic of China's Company Law (2018 Amendment) within five years following the implementation of the Foreign Investment Law.

Following these legal requirements, as well as CBIRC regulatory requirements, the Company is planning to adjust its governance structure and set up Shareholders' Meeting in 2022.

4.4 Board of Directors information

4.4.1 Responsibilities of the Board of Directors:

According to the Articles of Association, the duties of the Board of Directors include:

(a) to amend the Articles of the Company;

(b) to approve any change (including, without limitation, any expansion) of the scope of business of the Company;

(c) to change the name of the Company;

(d) to decide on the Business Plan (including but not limited the annual debt financing plan) and investment proposals of the Company;

(e) to approve the annual proposals relating to the financial budgets and the final accounts of the Company;

(f) to approve proposals of the Company in relation to profit distribution and the making up of losses;

(g) to decide on proposals in relation to the increase or decrease of the Company's registered capital;

(h) to approve any transfer of registered capital of the Company;

(i) to approve any pledge or other Encumbrances (of any form) on all or any part of the Equity Interest held by a Shareholder;

(j) to decide on the issuance of the Company's bonds;

(k) to approve any expenditure in excess of RMB one million (RMB1,000,000), disposal of assets in excess of RMB one million (RMB1,000,000), debt funding from any bank or syndicate of banks to the Company in excess of RMB one

hundred million (RMB100,000,000), any loan granted to any customer of the Company in excess of RMB twenty million (RMB20,000,000), any guarantee, or any indemnity in excess of RMB one million (RMB1,000,000) granted by the Company.

the foregoing amounts may be adjusted by the Board from time to time based on actual circumstances;

(l) to approve any plans for merger, division, dissolution or change in the form of the Company;

(m) to decide on the establishment of the internal management organisation of the Company;

(n) to approve any transactions between the Company and any of the Parties or their Affiliates;

(o) to approve the establishment, change in form, or closure, of subsidiaries, branches or representative offices of the Company;

(p) subject to Article 27, to decide on the appointment or removal and the remuneration of the General Manager and the Senior Management Personnel;

(q) to approve the appointment and dismissal of the auditors of the Company;

(i) to approve any change to the accounting policies or treatment of the Company;

(s) to formulate the basic management system of the Company; and

(t) other duties and powers as provided in the Articles of the Company and/or required by Applicable Laws.

4.4.2 The composition of the Board of Directors and their work

In 2021, the company had 6 directors, including Mr. Xiang Xingchu as Chairman, Mr. Eduardo Garcia Arroyo as Vice Chairman, and the other members were Mr. Wang Bing, Mr. Zhang Lichun, Mr. Joaquin Caracuel Barbecho, and Mr. Zhou Wei.

During the reporting period, the board of Directors of the company held a total of 33 meetings, including 4 regular meetings and 29 interim meetings, issued relevant opinions on 58 proposals, and made decisions on major issues including corporate strategy, business plan, profit distribution, internal control compliance and so on.

4.4.3 The resumes of the directors holding their positions at the end of the report period are as follows:

Chairman Xiang Xingchu, male, born in August 1970, member of the Communist Party of China, master of Business Administration equivalent education of Anhui Business Administration Institute, senior engineer.

Vice Chairman Eduardo Garcia Arroyo, male, Spain, born in May 1961, Computer Science engineering, Polytechnic University of Madrid, Business Management program of IESE Business School, Spain.

Director Zhang Lichun, male, born in October 1975, member of the Communist Party of China, bachelor degree, intermediate level accountant.

Director Wang Bing, male, born in January 1965, member of the Communist Party of China,, bachelor degree, engineer.

Director Joaquin Caracuel Barbecho, male, Spain, born in December 1977, MBA, IESE Business School, Spain.

Director Zhou Wei, born in April 1970, received his Ph.D. in economics from Vanderbilt University.

4.5 Work conditions of independent directors

The Company had no independent directors in 2021. The Company plans to appoint independent directors in 2022, according to regulatory requirements.

4.6 Board of Supervisors information

4.6.1 Responsibilities of the Board of Supervisors:

(a) inspection of the financial activities of the Company;

(b) supervision of the actions of the Directors and Senior Management Personnel of the Company in performing their duties and making proposals on removal of any of them who is in breach of Applicable Laws or these Articles;

(c) requesting the Directors and Senior Management Personnel of the Company to correct their acts which impair the interests of the Company;

(d) bringing an action against the Directors and Senior Management Personnel of the Company in accordance with Article 152 of the PRC Company Law; and

(e) any other functions and powers as set out in these Articles.

4.6.2 Composition and work conditions of the Board of Supervisors

In 2021, the company had 3 supervisors, including chief supervisor Mr. Derek Gibson, supervisor Mr. Xu Chunlin, and employee supervisor Mrs. Silvia Wang.

During the reporting period, the Board of Supervisors held 6 meetings in total, including 4 regular meetings and 2 interim meetings, issued opinion on 1 proposal and listened to reports on the implementation of the company's strategic plan, performance of directors and senior management, compliance, internal control, audit and salary assessment, performance assessment and management, etc.

4.6.3 The resume of the company's supervisor performing duties in 2021 are as follows：

Chief Supervisor Derek James Gibson, UK, male, born May 1962, bachelor of Economic and Social History University of Hull.

Supervisor Xu Chunlin, male, born in February 1972, member of the Communist Party of China, bachelor's degree.

Supervisor Silvia Wang, female, born in September 1966, member of the Communist Party of China, First level human resource manager, MBA business Administration of Anhui Business Administration College, Master's degree.

4.7 Work conditions of external supervisors

The Company had no external supervisors in 2021. The Company plans to appoint external supervisors in 2022, according to regulatory requirements.

4.8 Senior Management Information

At the end of the reporting period, there were 5 senior management personnel in the company. Their positions and resumes are as follows:

General Manager: Jenny Zhang, female, born in February 1972, graduated from Shanghai Jiao Tong University, bachelor's degree.

Chief Financial Officer: Zha Jianmin, male, born in February 1972, member of the Communist Party of China, bachelor's degree.

Chief Risk Control Officer: Piotr Cziura, male, Poland, born in June 1970,

Master of Economics, Karol Adamiecki’s Academy of Economics, Katowice, Poland.

Chief Operating Officer: Simon Xu, male, born in November 1985, bachelor's degree.

Chief Compliance Officer: He Jiabiao, male, born in March 1966, member of the Communist Party of China, bachelor's degree.

4.9 Remuneration system and current year remuneration of directors, supervisors and senior managers

4.9.1 Remuneration system

In accordance with the requirements of regulatory authorities and corporate governance, to ensure compliance and rigor in the process of compensation management, the company has formulated relevant compensation management systems and effectively standardized compensation management procedures.

The remuneration of senior managers consists of basic compensation and performance compensation, of which the basic compensation is determined by considering the value, responsibility, ability, market salary and other factors of the position. It is paid monthly. Performance compensation is based on achievement of the company's annual objectives, linked to the company's annual operating performance, assessed after the end of the year, according to the results of the year.

Senior management compensation includes deferral mechanism according to regulatory requirements. During the term of senior executives, the Company will not deliver the deferred remuneration given below scenarios: (a) Serious violation of Company rules and regulations and subject to severe internal

punishment. (b) Company Board of Supervisors' identification of violation of laws, regulations, and Articles of Association, and other harmful behaviors to company interests during work. (c) Punishment by China Banking Regulatory Commission or its Anhui Supervisory Bureau due to major law and regulation violations. (d) Decision error in respective responsible area of senior executive with the error identified by Board of Directors as the cause to major loss. (e) Other scenarios where there are serious violation of company policies recognized by Board of Directors.

4.9.2 Remuneration of directors, supervisors and senior management in the current year

The company's directors did not receive any remuneration from the company in 2021.

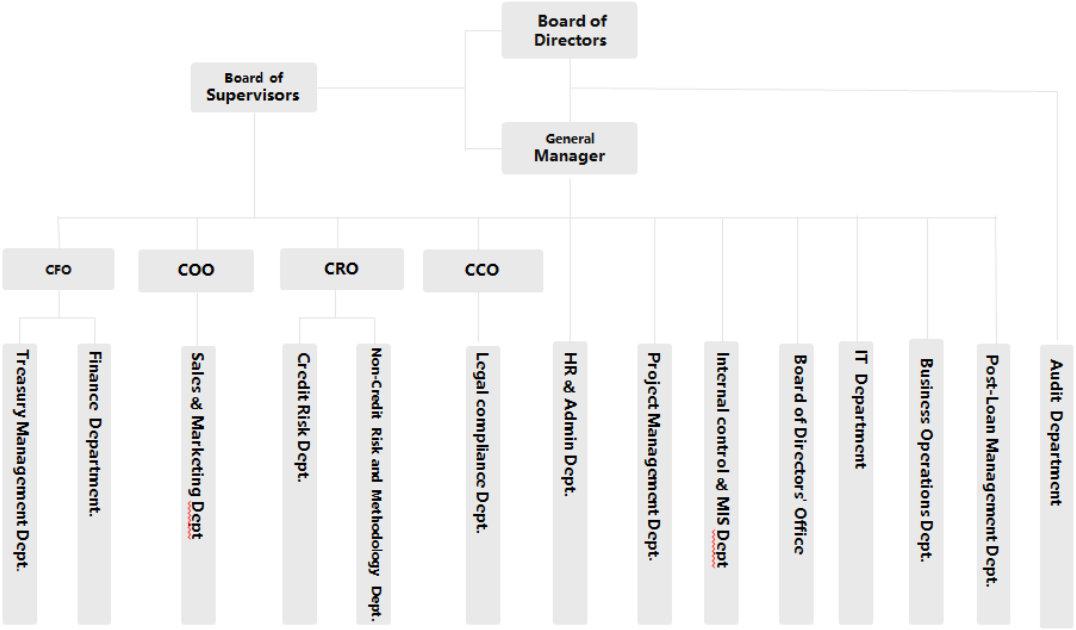
The company's supervisors appointed by shareholders did not receive any remuneration from the company in 2021.

The company's employees' supervisor received remuneration according to the working position held in the company in 2021.

The senior management remuneration in 2021 consisted of basic compensation and performance compensation, according with the relevant policies. Performance compensation was subject to review by Board's Nomination and Remuneration Committee and approval by the Board of Directors.

4.10 Information on the setup of departments and branches of the company

The company's organization structure as of the end of 2021 was as follows:



The company does not have any branches.

4.11 Overall evaluation of the company's governance

During the reporting period, the Company strictly complied with the Company Law of the People's Republic of China and the Regulatory requirements, and carried out corporate governance activities in conjunction with the actual situation of the Company.

Chapter 5 Information on significant events

There were no unusual significant events during 2021.