Fortune Auto Finance Co., Ltd

2022

Annual Information Disclosure Report

April 5th, 2023

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

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

1.4 Date of Establishment

The Company officially established in January 2013, after the approval of the China Banking and Insurance Regulatory Commission.

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 CBIRC.

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

2.1 2022 Audited Financial Statements of Fortune Auto Finance Co., Ltd.

Please refer to the attachment.

2.2 Capital adequacy ratio in 2022

The capital composition of Fortune Auto Finance Co., Ltd. includes core tier one capital and tier two capital, with core tier one capital consisting of paid in capital, surplus reserves, general risk preparation, and undistributed profits, and tier two capital consisting of excess loan loss preparation.

Net Core Tier 1 Capital=Core Tier 1 Capital - Core Tier 1 Capital Deduction (Other Intangible Assets (Excluding Land Use Rights))

Net Tier 1 Capital= Tier 1 Capital - Tier 1 Capital Deduction (Other Intangible Assets (Excluding Land Use Rights))

Total Net Capital=Net Core Tier 1 Capital+ Tier 2 Capital

Item	2022.12.31
Core tier 1 capital adequacy ratio	26.59%
Tier 1 capital adequacy ratio	26.59%
Capital adequacy ratio	27.60%

2.3 Loan provision ratio and provision coverage in 2022

Item	2021.12.31	2022.12.31
Loan provision rate	2.82%	2.76%
Provision coverage	434.74%	447.19%

2.4 Impairment losses on various assets in 2022

Unit： 10 thousand RMB

Item	Beginning balance	New current extraction	Charge against	Sell assets	Switch back	Ending balance
Loan loss reserves	51,260.56	28,646.90	49,263.81	0.00	6,653.78	37,297.42

Chapter 3 Risk Management Information

Risk management information has been presented in Note VIII of the attached Audited Financial Statements for the year ended 31st of December, 2022.

Chapter 4 Corporate governance information

4.1 A brief description of the actual controller and its 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 2022 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 2022.

4.3 Duties and main resolutions of the general meeting of shareholders

The Company was 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 requirements of the China Banking and Insurance Regulatory Commission, the Company has promoted the revision of its Articles of Association and preparation for corporate governance adjustment in 2022, and plans to set up Shareholders' Meeting in 2023.

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 2022, the Company's Board of Directors had 6 members, including Mr.

Xiang Xingchu as Chairman, the other members were Mr. Joaquin Caracuel Barbecho, Mr. Zhang Wengen, Mr. Bruno Montalvo， Mr. Zhang Lichun , and Mr. Zhou Wei.

During the reporting period, the Board of Directors of the Company held a total of 37 meetings, including 4 regular meetings and 33 interim meetings, voted and issued relevant opinions on 62 motions, and made decisions on major issues including 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:

Name	Essential information
Xiang Xingchu	Chairman , Chinese ,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.
Joaquin Caracuel Barbecho	Spanish, male, born in December 1977, master in Business Administration at IESE Business School, senior expert in Consumer Finance Business, expert in Retail Banking business for private customers.
Zhang Wengen	Chinese, male, born in January 1972, member of the Communist Party of China, master's degree, assistant

	engineer.
Bruno Montalvo Wilmot	Spanish, Male, born in October 1962, master of Business Administration, Columbia University
Zhang Lichun	Chinese, male, born in October 1975, member of the Communist Party of China, bachelor's degree, Intermediate accountant.
Zhou Wei	American, male, born in April 1970, Ph.D. in economics from Vanderbilt University.

4.5 Work conditions of independent directors

The Company has not established independent directors in 2022. Based on the corporate governance changes plan, the Company will appoint Independent Directors in 2023.

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 2022, the Company’s Supervisory Board had 3 members, including Chief Supervisor Mr. Derek Gibson, Supervisor Mr. Ju Wei, and Employee Supervisor Mr. Hudson Xia.

During the reporting period, the Board of Supervisors held 9 meetings in total, including 4 regular meetings and 5 interim meetings, reviewed and voted on 3 proposals and issue relevant opinions. Listened to the regulatory opinions , the Company’s rectification situation, reports issued by internal and external auditors, reports on the performance of the Board of Directors, financial situation, related party transactions, and other matters, and actively attended the Board meeting as a nonvoting delegate.

4.6.3 The resume of the Supervisors：

Name	Essential information
Derek James Gibson	Chief Supervisor，UK，male，born in May 1962，B.A. (Hons) 2.1 in Economic and Social History and Economics University of Hull
Ju Wei	Chinese，male, born in January 1983，member of the Communist Party of China, bachelor's degree, assistant economist.
Hudson Xia	Chinese，male, born in July 1983, bachelor's degree.

4.7 External Supervisors

The Company had no External Supervisors in 2022. The Company plans to appoint External Supervisors in 2023.

4.8 Senior Management Information

At the end of the reporting period, there were 5 Senior Executives in the Company. Their positions and resumes are as follows:

Name	Essential information
Dr. Wolf Bay	General Manager, German, male, born in August 1958, Doctor of Augsburg University.
Zha Jianmin	Chief Financial Officer,Chinese, male, born in February 1972, member of the Communist Party of China, bachelor's degree, Intermediate accountant.

Piotr Cziura	Chief Risk Officer, Poland, male, born in June 1970, Master of Economics, Karol Adamiecki's Academy of Economics, Katowice, Poland.
Niu Lei	Chief Operating Officer, Chinese, male, born in November 1983, member of the Communist Party of China, bachelor's degree.
He Jiabiao	Chief Compliance Officer, Chinese, 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 executives

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 executives 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 Executives 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 2022.

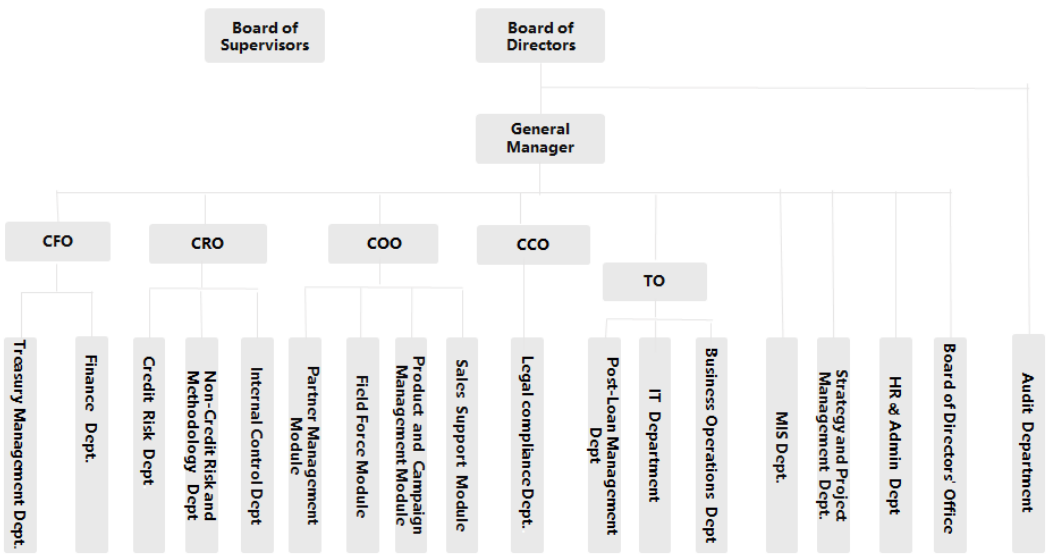
The Company's Supervisors appointed by shareholders did not receive any remuneration from the company in 2022.

The Company's Employee Supervisor received remuneration according to the working position held in the company in 2022.

The Senior Executives remuneration in 2022 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 2022 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 2022.

FORTUNE AUTO FINANCE CO., LTD.

Audited Financial Statements

Year ended 31 December 2022

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.

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AUDITOR'S REPORT

Ernst & Young Hua Ming (2023) 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 2022, 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 2022, 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	29 March 2023

Fortune Auto Finance Co., Ltd.
Balance Sheet
31 December 2022 **Expressed in Renminbi Yuan**

ASSETS	**Note V**	**31-12-2022**	**31-12-2021**
Balance with the central bank	1	5,660,642.93	5,598,882.61
Deposits in financial institutions	2	1,252,445,889.55	4,751,522,627.85
Loans and advances to customers	3	13,220,984,139.13	17,755,536,911.13
Fixed assets	4	52,209,132.75	53,274,754.70
Intangible assets	5	13,713,753.14	13,166,853.37
Right-of-use assets	6	-	5,920,211.61
Deferred tax assets	7	203,229,745.84	204,533,654.89
Other assets	8	273,588,645.64	94,864,068.49
TOTAL ASSETS		15,021,831,948.98	22,884,417,964.65
LIABILITIES And OWNERS' EQUITY			
LIABILITIES			
Takings from financial institutions	9	8,148,593,272.73	12,119,300,764.33
Dealer security deposits	10	57,911,938.82	66,364,494.33
Employee benefits payable	11	21,418,687.23	23,375,281.92
Taxes payable	12	73,839,242.57	89,402,610.17
Bonds payable	13	2,793,136,534.51	6,968,264,000.22
Lease liabilities	14	1,547,947.62	7,334,226.12
Other liabilities	15	326,050,999.11	412,087,798.51
TOTAL LIABILITIES		11,422,498,622.59	19,686,129,175.60
OWNERS' EQUITY			
Paid-in capital	16	2,000,000,000.00	2,000,000,000.00
Surplus reserve	17	390,234,225.22	330,077,544.62
General risk reserve	18	26,015,614.99	22,005,169.62
Unappropriated profit	19	1,183,083,486.18	846,206,074.81
TOTAL OWNERS' EQUITY		3,599,333,326.39	3,198,288,789.05
TOTAL LIABILITIES AND OWNERS' EQUITY		15,021,831,948.98	22,884,417,964.65

The financial statements have been signed by:

Legal Representative ____________ President ______________

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

Fortune Auto Finance Co., Ltd.
Income Statement
31 December 2022 **Expressed in Renminbi Yuan**

	Note V	31-12-2022	31-12-2021
Operating income		1,114,128,147.17	1,287,063,049.28
Net interest income	20	997,060,266.22	1,078,090,396.32
Interest income	20	1,691,359,594.53	1,889,658,941.22
Interest expense	20	694,299,328.31	811,568,544.90
Net fee and commission income	21	117,103,406.73	209,017,691.03
Fee and commission income	21	128,543,945.35	217,567,645.12
Fee and commission expense	21	11,440,538.62	8,549,954.09
Losses on disposal of assets		(35,525.78)	(45,038.07)
Operating expenses		583,059,004.66	716,408,260.50
Tax and levies	22	10,727,579.64	14,291,137.30
Business and administrative expenses	23	284,430,772.40	507,091,161.18
Impairment losses on credits	24	287,685,347.02	195,025,962.02
Impairment losses of assets		215,305.60	-
Operating profit		531,069,142.51	570,654,788.78
Add: Non-operating income		880,578.70	9,508,052.37
Less: Non-operating expenses		820,130.36	128,361.60
PROFIT BEFORE TAX		531,129,590.85	580,034,479.55
Less: Income tax expense	25	130,085,053.51	142,632,999.27
NET PROFIT		401,044,537.34	437,401,480.28
(I) Classification by nature of going concern:			
1. Net profit from going concern		401,044,537.34	437,401,480.28
OTHER COMPREHENSIVE INCOME - NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME		401,044,537.34	437,401,480.28

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 2022 **Expressed in Renminbi Yuan**

2022

		Paid-in Capital	Surplus Reserve	General Risk Reserve	Unappropriated Profits	Total Owners' Equity
I.	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
II.	Movement during the year	-	60,156,680.60	4,010,445.37	336,877,411.37	401,044,537.34
(I)	Total comprehensive income	-	-	-	401,044,537.34	401,044,537.34
(II)	Profit distribution	-	60,156,680.60	4,010,445.37	(64,167,125.97)	-
1.	Transfer to surplus reserve	-	60,156,680.60	-	(60,156,680.60)	-
2.	Transfer to general risk reserve	-	-	4,010,445.37	(4,010,445.37)	-
III.	Balance at 31 December 2022	2,000,000,000.00	390,234,225.22	26,015,614.99	1,183,083,486.18	3,599,333,326.39

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

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 2022 **Expressed in Renminbi Yuan**

		Note V	31-12-2022	31-12-2021
I.	Cash flow from operating activities			
	Net decrease in balance with central bank		469,594.77	60,775,047.96
	Net decrease in customer loans and advances		4,110,981,061.71	-
	Net increase in dealer security deposits		-	9,307,105.92
	Interest, fee and commission received		1,739,772,061.37	2,123,228,851.00
	Cash received from loans written off		135,479,841.55	109,554,147.76
	Other cash received relating to operating activities		15,133,972.96	9,508,052.37
	Subtotal of cash inflows from operating activities		6,001,836,532.36	2,312,373,205.01
	Net increase in loans and advances to customers		-	1,644,452,643.37
	Net decrease in dealer security deposits		8,557,584.21	-
	Interests paid for dealer security deposits		177,052.27	186,739.40
	Interest, fee and commission paid		58,514,817.28	336,552,703.94
	Cash paid to and on behalf of employees		107,856,594.69	100,411,488.44
	Taxes paid		155,080,515.39	119,194,474.43
	Other cash paid relating to operating activities		355,360,569.91	106,874,242.79
	Subtotal of cash outflows from operating activities		685,547,133.75	2,307,672,292.37
	Net cash flow from operating activities	27	5,316,289,398.61	4,700,912.64
II.	Cash flow from investing activities			
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		70,100.00	218,584.08
	Subtotal of cash inflows from investing activities		70,100.00	218,584.08
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		8,969,897.57	9,101,066.99
	Subtotal of cash outflows from investing activities		8,969,897.57	9,101,066.99
	Net cash flows from investing activities		(8,899,797.57)	(8,882,482.91)

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

Year ended 31 December 2022 Expressed in Renminbi Yuan

		Note V	31-12-2022	31-12-2021
III.	Cash flow from financing activities			
	Cash received from issuance of bonds		1,940,000,000.00	6,838,000,000.00
	Cash received relating to taking from financial institution		8,148,000,000.00	21,819,860,000.00
	Sub-total of cash inflows from financing activities		10,088,000,000.00	28,657,860,000.00
	Cash repayments of bonds		6,086,557,300.00	4,954,424,268.76
	Cash paid for settlement of interest expenses		722,410,878.35	887,451,806.96
	Cash repayment of deposits from shareholders		-	1,000,000,000.00
	Cash repayment of takings from other financial institutions		12,084,890,000.00	17,951,140,000.00
	Sub-total of cash outflows from financing activities		18,893,858,178.35	24,793,016,075.72
	Net cash flow from financing activities		(8,805,858,178.35)	3,864,843,924.28
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V.	Net increase/ (decrease) in cash and cash equivalents		(3,498,468,577.31)	3,860,662,354.01
	Add: Cash and cash equivalents at the beginning of the year		4,753,718,591.52	893,056,237.51
VI.	Cash and cash equivalents at the end of the year	26	1,255,250,014.21	4,753,718,591.52

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 2022, 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 2022 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 (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 (continued)

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; 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. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (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
The Company measures debt investments at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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. Interest income is recognised using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss
The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (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, based on the expected credit losses ("ECLs"), the Company recognises an allowance for ECLs for the financial assets measured at amortised cost.

For accounts receivable and contract assets that do not contain a significant financing component, the Company applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

Except for financial assets which apply the simplified approach as mentioned above, other financial assets, the Company assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Company and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Company and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Company and the interest income is calculated according to the amortised cost and the effective interest rate.

III. Significant accounting policies and estimates (continued)

5. Financial instrumment (continued)

Impairment of financial assets (continued)

At each balance sheet date, the Company assesses whether the credit risk on the relevant financial instruments has increased significantly since initial recognition. The Company compares the risk of a default occurring of a single financial instrument or a group of financial instruments with similar credit risk characteristics as at the balance sheet date with the risk of a default as at the date of initial recognition, to determine changes in the risk of a default occurring of the financial instrument in the expected lifetime.

The Company measures expected credit losses on a financial instrument in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

When there are one or more events that have adverse effects on the expected future cash flows of a financial asset, the financial asset is credit-impaired.

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Group 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 transferred asset to the extent of the Company's continuing involvement, in which case, the Companythe Company also recognises an associated liability.

III. Significant accounting policies and estimates (continued)

6. 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.

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.

III. Significant accounting policies and estimates (continued)

7. 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)

8. 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.

9. 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)

10. 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)

11. 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)

11. Revenue and Expenditure (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.

12. 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)

13. Income Tax

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)

13. 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.

III. Significant accounting policies and estimates (continued)

14. Leases

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.

As lessee

The Company recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets

Right-of-use assets

At the commencement date of the lease, the Companythe Company recognises a right-of-use asset. Right-of-use assets are initially measured at cost. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The CompanyThe Company remeasures the lease liability for the revision to the lease payments and adjusts the carrying amount of the right-of-use assets accordingly. The right-of-use assets are depreciated on a straight-line basis subsequently by the Companythe Company. If the Companythe Company is reasonably certain that the ownership of the underlying asset will be transferred to the Companythe Company at the end of the lease term, the Companythe Company depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Companythe Company depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

III. Significant accounting policies and estimates (continued)

14. Leases (continued)

Company as a lessee (continued)

Lease liabilities
At the commencement date of the lease, the Companythe Company measures the lease liability at the present value of the lease payments that are not paid at that date[, except for short-term leases and leases of low-value assets. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Companythe Company and payments of penalties for termination of a lease, if the lease term reflects the Companythe Company exercising the option to terminate the lease.In calculating the present value of the lease payments, the Companythe Company uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Companythe Company uses the lessee's incremental borrowing rate. The CompanyThe Company calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the Companythe Company remeasures the lease liability at the present value of revised lease payments upon a change in any of the following: in-substance fixed payments, the amounts expected to be payable under residual value guarantees, the index or rate used to determine lease payments, or the assessment or exercise of the purchase option, the renewal option or the option to terminate the lease.

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.

III. Significant accounting policies and estimates (continued)

15. 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)

16. 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.

<u>Judgments</u>

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)

16. 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)

16. 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)

16. 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.

Expressed in Renminbi Yuan

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

	31-12-2022	31-12-2021
Statutory reserve with the Central Bank	2,933,324.17	3,402,918.94
Interest receivable	2,727,318.76	2,195,963.67
Total	5,660,642.93	5,598,882.61

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 2022 (31 December 2021: 5%).

2. Deposits in financial institutions

	31-12-2022	31-12-2021
Deposits in domestic financial institutions	1,252,522,695.45	4,751,522,627.85
Interest receivable	677,203.72	-
Less: provision for impairment	754,009.62	-
Total	1,252,445,889.55	4,751,522,627.85

Year ended 31 December 2022 Expressed in Renminbi Yuan

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:

	31-12-2022	31-12-2021
Personal loans and advances		
–Consumer automobile loans	13,253,584,186.92	17,952,576,240.97
Subtotal	13,253,584,186.92	17,952,576,240.97
Corporate loans and advances		
–Business automobile loans	61,082,874.85	49,853,710.35
–Dealer loans	214,948,080.04	199,746,416.65
Subtotal	276,030,954.89	249,600,127.00
Total	13,529,615,141.81	18,202,176,367,97
Interest receivable	64,343,206.70	65,966,100.10
Total loans and advances	13,593,958,348.51	18,268,142,468.07
Less:Loan loss provision	372,974,209.38	512,605,556.94
Book value of loans and advances	13,220,984,139.13	17,755,536,911.13

Year ended 31 December 2022 Expressed in Renminbi Yuan

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:

	31-12-2022			31-12-2021		
	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	214,948,080.04	-	214,948,080.04	199,746,416.65	-	199,746,416.65
Mortgage loans	106,491,358.02	13,208,175,703.75	13,314,667,061.77	106,985,496,70	17,895,444,454.62	18,002,429,951.32
Subtotal	321,439,438.06	13,208,175,703.75	13,529,615,141.81	306,731,913.35	17,895,444,454.62	18,202,176,367.97
Interest receivable			64,343,206.70			65,966,100.10
Total loans and advances			13,593,958,348.51			18,268,142,468.07
Less:						
Loan loss provision			372,974,209.38			512,605,556.94
Book value of loans and advances			13,220,984,139.13			17,755,536,911.13

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

3. Loans and advances to customers (continued)

(3) Overdue loans:

	31-12-2022				
	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	215,400.00	-	-	-	215,400.00
Mortgage loans	271,107,277.97	77,882,207.99	-	-	348,989,485.96
Total	271,322,677.97	77,882,207.99	-	-	349,204,885.96

	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

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 RMB81,779,168.80（As at December 31 2021, the balance of loans within the grace period is RMB138,916,101.16）.

V. Notes to the financial statements (continued)

3. Loans and advances to customers (continued)

(4) Changes in loan loss provision:

	2022/12/31			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL - impaired)	Total
As at 31 December 2021	316,767,698.22	95,551,362.88	100,286,495.84	512,605,556.94
Charge / (reversal) during the year	(96,787,507.80)	(12,856,873.24)	396,113,358.38	286,468,975.34
Stage conversion				
Transfers to Stage 1	22,311,002.72	(20,163,640.95)	(2,147,361.77)	-
Transfers to Stage 2	(5,373,492.61)	6,253,629.23	(880,136.62)	-
Transfers to Stage 3	(1,387,803.74)	(2,630,304.89)	4,018,108.63	-
Write-off during the year	-	-	(561,580,164.45)	(561,580,164.45)
Recovery of loans and Advances written off	-	-	135,479,841.55	135,479,841.55
Closing balance	235,529,896.79	66,154,173.03	71,290,139.56	372,974,209.38

	2021/12/31			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL - impaired)	Total
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

Year ended 31 December 2022 Expressed in Renminbi Yuan

4. Fixed assets

31-12-2022	Building	Electronic equipment	Vehicle	Furniture and others	Total
Original cost					
Balance at the beginning of the year	53,905,404.46	16,332,172.18	735,734.50	2,509,465.75	73,482,776.89
Additions during the year	-	4,521,728.23	-	106,187.60	4,627,915.83
Disposals during the year	-	(588,151.01)	(112,336.28)	(139,201.75)	(839,689.04)
Balance at the end of the year	53,905,404.46	20,265,749.40	623,398.22	2,476,451.60	77,271,003.68
Accumulated depreciation					
Balance at the beginning of the year	8,278,971.71	10,277,542,76	29,735.95	1,621,771.77	20,208,022.19
Additions during the year	2,614,412.12	2,401,588.21	111,376.63	433,152.40	5,560,529.36
Disposals during the year	-	(567,704.92)	(15,134.19)	(123,841.51)	(706,680.62)
Balance at the end of the year	10,893,383.83	12,111,426.05	125,978.39	1,931,082.66	25,061,870.93
Net book value					
Balance at the beginning of the year	45,626,432.75	6,054,629.42	705,998.55	887,693.98	53,274,754.70
Balance at the end of the year	43,012,020.63	8,154,323.35	497,419.83	545,368.94	52,209,132.75

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

4. Fixed assets (continued)

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
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

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

5. Intangible assets

Software	31-12-2022	31-12-2021
Original cost		
-Balance at the beginning of the year	34,674,076.64	30,273,979.33
-Additions during the year	4,341,981.74	4,400,097.31
-Balance at the end of the year	39,016,058.38	34,674,076.64
Accumulated depreciation		
-Balance at the beginning of the year	21,507,223.27	18,305,879.07
-Additions during the year	3,795,081.97	3,201,344.20
-Balance at the end of the year	25,302,305.24	21,507,223.27
Net book value		
-Balance at the beginning of the year	13,166,853.37	11,968,100.26
-Balance at the end of the year	13,713,753.14	13,166,853.37

6. Use-of-right assets

	Buliding	Total
Cost		
1-1-2022	7,153,589.03	7,153,589.03
Additions during the year	(3,117,134.15)	(3,117,134.15)
31-12-2022	4,036,454.88	4,036,454.88
Accumulated depreciation		
1-1-2022	1,233,377.42	1,233,377.42
Depreciation of the year	2,803,077.46	2,803,077.46
31-12-2022	4,036,454.88	4,036,454.88
Book value in total	-	-

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

6. Use-of-right assets(continued)

	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

7. Deferred tax assets

	Deductible temporary differences		Deferred tax assets	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Loan loss provision	240,648,958.05	333,554,693.35	60,162,239.51	83,388,673.34
Loans written off but not deducted	426,100,322.90	156,500,279.22	106,525,080.73	39,125,069.81
Adjustments to subsidised loans	102,227,620.04	183,273,258.29	25,556,905.01	45,818,314.57
Provision for impairment loss of Other assets	2,854,237.50	2,391,875.44	713,559.38	597,968.86
Wage payable	21,418,687.23	21,862,461.50	5,354,671.81	5,465,615.38
Prepaid expenses	18,699,842.35	120,552,051.78	4,674,960.59	30,138,012.93
Other	969,315.30	-	242,328.81	
Total	812,918,983.37	818,134,619.58	203,229,745.84	204,533,654.89

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

8. Other assets

	31-12-2022	31-12-2021
Prepayments	26,630,990.99	3,479,476.50
Interest receivable (1)	5,928,816.19	5,897,286.25
Other receivables (2)	58,220,904.16	84,818,304.14
Service charge to be amortized	182,354,238.30	-
Debt assets	453,696.00	669,001.60
Total	273,588,645.64	94,864,068.49

(1) Interest receivable

	31-12-2022	31-12-2021
Interest receivable from loans	5,928,816.19	5,897,286.25
Total	5,928,816.19	5,897,286.25

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:

	31-12-2022	31-12-2021
Advance payment	5,080,074.00	5,366,640.91
Funds to be settled	-	3,911,952.12
ABS reserve	35,836,059.96	74,787,157.51
Others	20,159,007.70	3,144,429.04
Subtotal	61,075,141.66	87,210,179.58
Less: provision for impairment loss	2,854,237.50	2,391,875.44
Total	58,220,904.16	84,818,304.14

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

9. Takings from financial institutions

	31-12-2022	31-12-2021
Borrowings from financial institutions	8,076,000,000.00	11,322,890,000.00
Takings from financial institution	-	690,000,000.00
Subtotal	8,076,000,000.00	12,012,890,000.00
Interest payable	72,593,272.73	106,410,764.33
Total	8,148,593,272.73	12,119,300,764.33

10. Dealer security deposits

	31-12-2022	31-12-2021
Dealer security deposits	57,550,737.82	66,108,322.03
Interest payable	361,201.00	256,172.30
Total	57,911,938.82	66,364,494.33

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.

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

11. Employee benefit payable

31-12-2022	2021/12/31	Accruals	Payments	2022/12/31
Wages or salaries, bonuses, allowances and subsidies	21,862,461.50	77,858,885.93	78,302,660.20	21,418,687.23
Social insurance	-	4,141,528.15	4,141,528.15	-
Of which:				
-Medical insurance	-	3,998,332.91	3,998,332.91	-
-Work-related injury insurance	-	130,434.08	130,434.08	-
-Maternity insurance	-	12,761.16	12,761.16	-
Housing funds	-	6,856,568.24	6,856,568.24	-
Labour union fee and staff education cost	1,512,820.42	1,875,929.99	3,388,750.41	-
Employee services and benefits	-	5,447,871.77	5,447,871.77	-
Severance	-	317,185.00	317,185.00	-
Defined contribution plan (1)	-	9,402,030.92	9,402,030.92	-
Total	23,375,281.92	105,900,000.00	107,856,594.69	21,418,687.23

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

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

11. Employee benefit payable (continued)

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 RMB9,109,241.46and RMB292,789.46 to the pension insurance and unemployment insurance plan respectively during the year (2021: RMB8,019,106.07 and RMB268,835.25). As of 31 December 2022, the Company has no outstanding payment to pension insurance and unemployment insurance (As of 31 December 2021: RMB0).

12. Interest payable

	31-12-2022	31-12-2021
Income tax	57,011,594.08	37,052,016.03
City construction & maintenance fee	959,671.46	1,685,407.38
Education fee and surcharge	685,479.61	1,203,862.42
Value added tax	13,709,592.23	48,541,110.02
Others	1,472,905.19	920,214.32
Total	73,839,242.57	89,402,610.17

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

13. Bonds payable

	31-12-2022	31-12-2021
Fortune 2019 Financial Bonds[(a)]	-	1,500,000,000.00
XinRong 2020 Third-phase Asset Backed Securities[(b)]	-	157,136,000.00
XinRong 2021 First-phase Asset Backed Securities[(c)]	-	628,187,500.00
XinRong 2021 Second-phase Asset Backed Securities[(d)]	524,051,600.00	2,500,000,000.00
XinRong 2021 Third-phase Asset Backed Securities[(e)]	964,034,600.00	2,153,000,000.00
XinRong 2022 First-phase Asset Backed Securities[(f)]	1,303,680,000.00	-
Subtotal	2,791,766,200.00	6,938,323,500.00
Interest receivable	1,370,334.51	29,940,500.22
Total	2,793,136,534.51	6,968,264,000.22

(a)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. This bond has matured and liquidated on September 11, 2022.

(b)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 RMB2.61 billion via book building and RMB490 million via directional issue to the initiator respectively. The senior assets-backed securities are with a fixed interest rate of 3.09%.The current asset-backed securities have matured and settled on April 26, 2022.

V. Notes to the financial statements (continued)

13. Bonds payable (continued)

(c)The Company, via trust with special purpose, publicly issued the first 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%. This current asset-backed securities have matured and settled on July 26, 2022.

(d)The Company, via trust with special purpose, publicly issued the second 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 20 August 2021, including RMB2.5 billion via book building and RMB500 million via directional issue to the initiator respectively. The senior A1 asset-backed securities are fixed-rate securities with an interest rate of 3.19%, and the senior A2 asset-backed securities are fixed-rate securities with an interest rate of 3.44%.

(e)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 RMB2.153 billion via book building and RMB347 million via directional issue to the initiator respectively. The senior A1 asset-backed securities are fixed-rate securities with an interest rate of 3.24%, and the senior A2 asset-backed securities are fixed-rate securities with an interest rate of 3.40%.

(f)The Company, via trust with special purpose, publicly issued the first phase assets-backed securities of Xinrong for 2022 amounting to RMB2.5 billion based on personal automobile loans in the national inter-bank bond market on 8 June 2022, including RMB1.94 billion via book building and RMB560 million via directional issue to the initiator respectively. The senior assets-backed securities are with a fixed interest rate of 2.61%.

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

14. Lease liabilitie

	31-12-2022	31-12-2021
Housing rental	1,547,947.62	7,334,226.12
Tota	1,547,947.62	7,334,226.12

15. Other liabilities

	31-12-2022	31-12-2021
Deferred revenue (1)	102,227,620.04	183,273,258.29
Agency security deposits (2)	45,600,588.44	46,415,421.54
Other payables	178,222,790.63	182,399,118.68
Total	326,050,999.11	412,087,798.51

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

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

16. Paid-in capital

	31-12-2022		
	Currency	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

	31-12-2021		
	Currency	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.

17. Surplus reserve

2022

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	220,051,696.42	40,104,453.73	-	260,156,150.15
Discretionary surplus reserves	110,025,848.20	20,052,226.87	-	130,078,075.07
	330,077,544.62	60,156,680.60	-	390,234,225.22

2021

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	176,311,548.39	43,740,148.03	-	220,051,696.42
Discretionary surplus reserves	88,155,774.19	21,870,074.01	-	110,025,848.20
	264,467,322.58	65,610,222.04	-	330,077,544.62

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V. Notes to the financial statements (continued)

17. Surplus reserve (continued)

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%.

18. General risk reserve

	31-12-2022	31-12-2021
Opening balance	22,005,169.62	17,631,154.82
Charged during the year	4,010,445.37	4,374,014.80
Closing balance	26,015,614.99	22,005,169.62

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 2022 profits distribution plan, RMB4,010,445.37 has been set aside as general risk reserves.

19. Unappropriated profit

	31-12-2022	31-12-2021
Opening balance	846,206,074.81	481,017,006.44
Add:Changes in accounting policies	-	(2,228,175.07)
Balance at 1 January 2022	846,206,074.81	478,788,831.37
Net profit for the year	401,044,537.34	437,401,480.28
Less: Transfer to statutory surplus reserve	40,104,453.73	43,740,148.03
Transfer to discretionary surplus reserve	20,052,226.87	21,870,074.01
Transfer to general risk reserve	4,010,445.37	4,374,014.80
Closing balance	1,183,083,486.18	846,206,074.81

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

20. Net interest income

	31-12-2022	31-12-2021
Interest income		
- Deposits in financial institutions and the central bank	56,326,321.41	35,325,482.03
- Loans and advance to customers	1,635,033,273.12	1,854,333,459.19
Wherein: Personal loans and advances	1,616,671,631.52	1,834,542,045.63
Corporate loans and advances	18,361,641.60	19,791,413.56
Sub-total	1,691,359,594.53	1,889,658,941.22
Interest expense		
- Deposits from shareholders	-	50,913,194.45
- Takings from financial institutions	455,911,544.70	511,747,620.97
- Dealer security deposits	282,080.97	177,052.27
- Bonds payable	237,929,167.94	248,550,040.12
- Lease liabilities	176,534.70	180,637.09
Sub-total	694,299,328.31	811,568,544.90
Net interest income	997,060,266.22	1,078,090,396.32

21. Net fee and commission income

	31-12-2022	31-12-2021
Fee and commission income	128,543,945.35	217,567,645.12
Fee and commission expenses		
- Sales commission	4,099,963.66	-
- Bank services	7,340,574.96	8,549,954.09
Subtotal	11,440,538.62	8,549,954.09
Net fee and commission income	117,103,406.73	209,017,691.03

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

22. Tax and levies

	31-12-2022	31-12-2021
City construction & maintenance fee	5,034,051.19	6,757,020.62
Education fee and surcharge	3,595,750.85	4,826,443.31
Water conservancy construction fund	914,988.60	1,254,964.34
Others	1,182,789.00	1,452,709.03
Total	10,727,579.64	14,291,137.30

23. Business and administrative expenses

	31-12-2022	31-12-2021
Staff salary and welfare	105,900,000.00	95,900,000.00
Outsourcing service fee	103,555,873.12	61,953,168.12
Marketing expenses	13,256,787.06	280,820,831.94
Operation and maintenance fees	15,068,775.59	11,424,158.29
Travel and transport expenses	6,988,504.04	9,717,796.58
Depreciations and amortization	12,158,688.79	9,775,274.31
Professional service fee	13,125,060.33	22,076,107.00
Rental expense	754,716.98	2,302,665.79
Office expenses	1,669,625.84	1,905,800.59
Communication expenses	3,815,729.47	4,579,924.13
Entertainment expenses	488,716.49	1,436,008.02
Banking supervision fee	2,782,451.85	-
Others	4,865,842.84	5,199,426.41
Total	284,430,772.40	507,091,161.18

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

24. Impairment losses of credits

	31-12-2022	31-12-2021
Impairment losses		
- Loans and advances to customers	286,468,975.34	193,092,752.04
- Other assets	1,216,371.68	1,933,209.98
Total	287,685,347.02	195,025,962.02

25. Income tax expense

	31-12-2022	31-12-2021
Current year income tax expenses	128,781,144.46	148,722,854.24
Deferred income tax expenses	1,303,909.05	(6,089,854.97)
Total	130,085,053.51	142,632,999.27

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

	31-12-2022	31-12-2021
Total profit	531,129,590.85	580,034,479.55
Income tax calculated at the statutory interest rate of the year 25%	132,782,397.71	145,008,619.88
Effects of non-tax deductible expenses	173,474.46	346,990.58
Tax-exempted revenue	(3,298,915.50)	(2,971,106.19)
	428,096.84	248,495.00
Total	130,085,053.51	142,632,999.27

26. Cash and cash equivalents

	31-12-2022	31-12-2021
Balances with central bank	2,727,318.76	2,195,963.67
Deposits in financial institutions	1,252,522,695.45	4,751,522,627.85
Total	1,255,250,014.21	4,753,718,591.52

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

27. Supplementary information of cash flow statement

	31-12-2022	31-12-2021
Reconciliation of net profit to cash flows from operating activities		
Net profit	401,044,537.34	437,401,480.28
Add:Impairment losses of credits	287,685,347.02	195,025,962.02
Impairment losses of assets	215,305.60	-
Depreciation of fixed assets	5,560,529.36	5,340,552.69
Amortization of intangible assets	3,795,081.97	3,201,344.20
Amortization of long-term prepayments	2,803,077.46	1,233,377.42
Interest expense of funding	694,017,247.34	811,391,492.63
Increase/(decrease) in accrued expenses	(101,852,209.43)	47,181,917.91
Loss on disposal of fixed assets -	71,332.11	117,187.02
Increase/(decrease) in deferred tax assets	1,303,909.05	(6,089,854.97)
Increase/(decrease) in operating receivables	4,172,494,829.57	(1,448,814,077.07)
Decrease in operating payables	(150,849,588.78)	(41,288,469.49)
Net cash outflow from operating activities	5,316,289,398.61	4,700,912.64
Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalent	1,255,250,014.21	4,753,718,591.52
Less: Opening balance of cash and cash equivalents	4,753,718,591.52	893,056,237.51
Net increase/(decrease) in cash and cash equivalents	(3,498,468,577.31)	3,860,662,354.01

Year ended 31 December 2022 Expressed in Renminbi Yuan

V. Notes to the financial statements (continued)

28. 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 NoteV 14. The structured entities included in the scope of the consolidation in 2022 are as below:

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”
Special-purpose entity “XinRong 2022 First-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:

	31-12-2022	31-12-2021
Risk weight asset	13,486,462,442.31	17,649,115,641.95
Net capital	3,722,893,939.49	3,371,448,988.18
-Net core tier-1 capital	3,585,619,573.24	3,185,121,935.68
Supplementary capital	-	-
Market risk asset	-	-
Core capital adequacy ratio (%)	26.59	18.05
Capital adequacy ratio (%)	27.60	19.10

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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

	31-12-2022	31-12-2021
Cash and deposit with the Central Bank	5,660,642.93	5,598,882.61
Due from and placements with banks and other financial institutions	1,252,445,889.55	4,751,522,627.85
Loans and advances to customers	13,220,984,139.13	17,755,536,911.13
Other financial assets	64,826,924.07	90,715,590.39
Total	14,543,917,595.68	22,603,374,011.98

Financial liabilities:

	31-12-2022	31-12-2021
Time deposits		
Due to and placements from banks and other financial institutions	8,148,593,272.73	12,119,300,764.33
Deposit from Dealers	57,911,938.82	66,364,494.33
Bonds payable	2,793,136,534.51	6,968,264,000.22
Lease liabilities	1,547,947.62	7,334,226.12
Other financial liabilities	168,636,047.85	228,814,540.22
Total	11,169,825,741.53	19,390,078,025.22

VIII. Financial instruments risk management(continued)

2. Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety

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.

On 8 June 2022, the Company transferred personal auto mortgage loans amounting to RMB 2,499,942,543.88 to Anhui Guoyuan Trust Co., Ltd. to establish ABS. The ABS is separated into priority portion and subordinate portion, amounting to RMB 1,940,000,000.00 (77.60%) and RMB 559,942,543.88 (22.40%), 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

<u>Overview of risks</u>

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. The Company’s business operation is mainly exposed to credit risks, liquidity risks , market risks and operational 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.

<u>Risk management framework</u>

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 second line of defence units including Non-Credit Risk & Methodology Department and Legal Compliance 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.

<u>Credit risk management</u>

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.

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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:

	31-12-2022	31-12-2021
Balance sheet items		
-Balance with the central bank	5,660,642.93	5,598,882.61
-Receivables from financial institutions	1,252,445,889.55	4,751,522,627.85
-Loans and advances to customers	13,220,984,139.13	17,755,536,911.13
-Other financial assets (1)	64,826,924.07	90,715,590.39
Subtotal of balance sheet items	14,543,917,595.68	22,603,374,011.98
Subtotal of off-balance sheet items	-	-
Total	14,543,917,595.68	22,603,374,011.98

(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%.

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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

	31-12-2022		31-12-2021	
	Loans and advances	Deposits and placements with banks	Loans and advances	Deposits and placements with banks
Not yet overdue and not yet impaired (i)	13,244,366,024.91	1,253,199,899.17	17,809,091,498.60	4,751,522,627.85
Overdue but not yet impaired (ii)	266,188,939.90	-	341,140,587.98	-
Impaired (iii)	83,403,383.70	-	117,910,381.49	-
Total	13,593,958,348.51	1,253,199,899.17	18,268,142,468.07	4,751,522,627.85
Less: Impairment loss provision	372,974,209.38	754,009.62	512,605,556.94	-
Total	13,220,984,139.13	1,252,445,889.55	17,755,536,911.13	4,751,522,627.85

(i) Not yet overdue and not yet impaired

31-12-2022	Normal	Normal	Total
Personal loans and advances	12,966,134,887.11	1,730,007.92	12,967,864,895.03
Corporate loans and advances	274,171,666.29	2,329,463.59	276,501,129.88
Loans and advances to customers	13,240,306,553.40	4,059,471.51	13,244,366,024.91
Receivables from financial institutions	1,253,199,899.17	-	1,253,199,899.17
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

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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

31-12-2022	Overdue within 30 days	Overdue 31-60 days	Overdue over 60 days	Total
Personal loans and advances	216,785,566.72	48,616,908.26	-	265,402,474.98
Corporate loans and advances	786,464.92	-	-	786,464.92
Loans and advances to customers	217,572,031.64	48,616,908.26	-	266,188,939.90
Receivables from financial institutions				

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	-	-	-	-

(iii) Impaired

As of 31 December 2022, the impaired loans and advances to customers amounted to RMB83,403,383.70 in total (As of 31 December 2021: RMB117,910,381.49).

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.

Year ended 31 December 2022 Expressed in Renminbi Yuan

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Liquidity risk (continued)

31-12-2022	Current/Overdue	Immediate repayment	Within 1 month	1-3 months	3-12 months	1-5 years	Total
Financial assets							
Balance with the central bank	5,660,642.93	-	-	-	-	-	5,660,642.93
Deposit in financial institutions	-	1,252,445,889.55	-	-	-	-	1,252,445,889.55
Loans and advances to customers	212,832,406.34	-	223,755,125.10	399,037,572.27	3,248,656,572.11	11,976,110,216.00	16,060,391,891.82
Other financial assets	-	-	64,826,924.07	-	-	-	64,826,924.07
Subtotal of financial assets	218,493,049.27	1,252,445,889.55	288,582,049.17	399,037,572.27	3,248,656,572.11	11,976,110,216.00	17,383,325,348.37
Financial liabilities							
Deposit from shareholders	-	-	-				
Deposit from financial institutions	-	-	626,257,778.48	400,455,277.79	6,531,526,166.56	590,354,049.90	8,148,593,272.73
Dealer security deposits	57,550,737.82	-	361,201.00	-	-	-	57,911,938.82
Lease liabilities	1,547,947.62	-	-	-	-	-	1,547,947.62
Bonds payable	-	-	363,706,920.34	708,281,072.99	1,465,832,572.19	291,028,422.71	2,828,848,988.23
Other financial liabilities	-	-	168,636,047.85	-	-	-	168,636,047.85
Subtotal of financial liabilities	59,098,685.44	-	1,158,961,947.67	1,108,736,350.78	7,997,358,738.75	881,382,472.61	11,205,538,195.25
Net	159,394,363.83	1,252,445,889.55	(870,379,898.50)	(709,698,778.51)	(4,748,702,166.64)	11,094,727,743.39	6,177,787,153.12

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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 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
Bonds payable	-	-	443,821,097.79	842,807,417.35	3,877,191,985.64	1,975,533,059.13	7,139,353,559.91
Lease liabilities	-	-	-	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)

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 Non-Credit Risk & Methodology 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.

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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:

31-12-2022	Within 1 month	1-3 months	3-12 months	1-5 years	Non-interest-bearing	Total
Financial assets						
Balance with the central bank	5,660,642.93	-	-	-	-	5,660,642.93
Deposit in financial institutions	1,251,768,685.83	-	-	-	677,203.72	1,252,445,889.55
Loans and advances to customers	97,549,493.87	160,151,937.42	2,243,151,596.65	10,654,832,458.11	65,298,653.08	13,220,984,139.13
Other financial assets	-	-	-	-	64,826,924.07	64.826,924.07
Subtotal of financial assets	1,354,978,822.63	160,151,937.42	2,243,151,596.65	10,654,832,458.11	130,802,780.87	14,543,917,595.68
Financial liabilities						
Deposit from financial institutions	600,000,000.00	400,000,000.00	6,488,000,000.00	588,000,000.00	72,593,272.73	8,148,593,272.73
Dealer security deposits	57,550,737.82	-	-	-	361,201.00	57,911,938.82
Bonds payable	-	524,051,600.00	964,034,600.00	1,303,680,000.00	1,370,334.51	2,793,136,534.51
Lease liabilities	-	-	-	-	1,547,947.62	1,547,947.62
Other financial liabilities	-	-	-	-	168,636,047.85	168,636,047.85
Subtotal of financial liabilities	657,550,737.82	924,051,600.00	7,452,034,600.00	1,891,680,000.00	244,508,803.71	11,169,825,741.53
Net Financial assets	697,428,084.81	(763,899,662.58)	(5,208,883,003.35)	8,763,152,458.11	(113,706,022.84)	3,374,091,854.15

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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:

31-12-2021	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 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

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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	31-12-2022	31-12-2021
Appreciate by 100 basis points	(15,086,203.00)	(10,483,009.00)
Depreciate by 100 basis points	15,086,203.00	10,483,009.00

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 2022 as well as 31 December 2021.

VIII. Financial instruments risk management(continued)

3. Financial instruments risk (continued)

Operational risks

Operational risk refers to the risk of loss caused by improper or problematic internal procedures, personnel, systems and external events.

Operational risk management

In terms of operational risks, the company has established systems and a clear organizational structure, established coordinators in various departments, and regularly organized employee training to eliminate potential risks and improve prevention awareness. At the same time, in accordance with the relevant regulatory requirements, we have set up corresponding operational risk indicators for more comprehensive monitoring. Each business operation step shall be implemented according to the business operation manual and management procedures to prevent the occurrence of high operational risks.

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 2022, 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

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X. Related parties relationship and transactions (continued)

3. Related party transactions

(1) Interest expense

	31-12-2022 Amount	31-12-2021 Amount
Interest expenses of deposits from shareholders		
Anhui Jianghuai Automobile Co., Ltd.	-	50,913,194.45
Interest expenses of deposits from financial institutions		
Banco Santander S.A. Shanghai Branch	0.04	24,148,888.57
Banco Santander S.A. Hongkong Branch	41,727,516.96	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	31-12-2022	31-12-2021
Takings from financial institutions	Banco Santander, S.A. Hongkong Branch	-	1,000,000,000.00
Interest payable	Banco Santander, S.A. Hongkong Branch	-	35,763,888.89

XI. Post balance sheet date events

The Company, via trust with special purpose, publicly issued the first phase assets-backed securities of Xinrong for 2023 amounting to RMB2.85 billion based on personal automobile loans in the national inter-bank bond market on 21 February 2023, including RMB2.5 billion via book building and RMB350 million via directional issue to the initiator respectively. The senior A1 asset-backed securities are fixed-rate securities with an interest rate of 2.84%, and the senior A2 asset-backed securities are fixed-rate securities with an interest rate of 3.08%.

In addition to the above, financial statements for the year ended 31 December 2022, there were no other significant subsequent events besides events mentioned above up to the reporting date.

XII. Comparative amounts

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

XIII. Approval of financial statements

The financial statements have been authorised for issuance by the board of directors on 29 March 2023.