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Shanghai Dongzheng Automotive Finance Co., Ltd.*

上海東正汽車金融股份有限公司

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

(Stock code: 2718)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

RESULTS HIGHLIGHTS

For the year ended 31 December 2020:

- Net interest income decreased by approximately 8% to approximately RMB495 million
- Operating income decreased by approximately 28% to approximately RMB577 million
- Profit and total comprehensive income decreased by approximately 86% to approximately RMB55 million

FINAL RESULTS

The Board of Shanghai Dongzheng Automotive Finance Co., Ltd.* hereby announces the audited annual results of the Company for the year ended 31 December 2020, together with the comparative figures for the corresponding period in 2019, which shall be read in conjunction with the management discussion and analysis below.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 December 2020**(Express in thousands of Renminbi, unless otherwise stated)*

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income		743,352	999,733
Interest expenses		(248,209)	(463,933)
Net interest income	2	495,143	535,800
Fee and commission income		73,312	174,956
Fee and commission expenses		(805)	(1,208)
Net fee and commission income	3	72,507	173,748
Other net income	4	9,521	90,270
Operating income		577,171	799,818
Operating expenses		(119,901)	(163,853)
Impairment losses		(381,400)	(114,553)
Finance costs		(1,899)	(1,633)
Profit before taxation	5	73,971	519,779
Income tax	6	(18,986)	(130,378)
Profit and total comprehensive income for the year		54,985	389,401
Earnings per share			
Basic and diluted (<i>RMB</i>)	7	0.0257	0.1945

STATEMENT OF FINANCIAL POSITION

(Express in thousands of Renminbi, unless otherwise stated)

		31 December 2020	31 December 2019
	Note	RMB'000	RMB'000
Assets			
Cash and deposits with central bank	8	5,025	9,479
Deposits with banks	9	90,396	126,524
Loans and advances to customers	10	5,751,275	10,004,153
Finance lease receivables	11	18,455	52,001
Property and equipment	12	28,234	40,532
Intangible assets	13	11,337	16,512
Deferred tax assets		112,503	54,852
Other assets	14	251,537	23,990
Total assets		6,268,762	10,328,043
Liabilities			
Placements from banks	15	2,033,911	5,891,421
Guarantee deposits	16	30,299	156,845
Lease liabilities	17	23,372	32,388
Current taxation		18,379	70,961
Other liabilities	18	98,241	166,853
Total liabilities		2,204,202	6,318,468
NET ASSETS		4,064,560	4,009,575
CAPITAL AND RESERVES			
Share capital	19(b)	2,139,651	2,139,651
Reserves	19(c)	1,924,909	1,869,924
TOTAL EQUITY		4,064,560	4,009,575

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 CHANGES IN ACCOUNTING POLICIES

The Company has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants to these financial statements for the current accounting period:

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

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

Amendments to HKFRS 3, *Definition of a Business*

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

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

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

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

2 NET INTEREST INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income arising from		
Loans and advances to customers	737,326	978,697
Deposits with central bank and other banks	2,796	13,620
Finance lease receivables	3,230	7,416
	<u>743,352</u>	<u>999,733</u>
Sub-total	743,352	999,733
Interest expenses arising from		
Placements from banks	(248,209)	(463,800)
Deposits from shareholders	—	(133)
	<u>(248,209)</u>	<u>(463,933)</u>
Sub-total	(248,209)	(463,933)
Net interest income	<u>495,143</u>	<u>535,800</u>

3 NET FEE AND COMMISSION INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fee and commission income arising from		
Joint loan services	48,505	69,954
Consulting services	12,901	91,615
Others	11,906	13,387
	<u>73,312</u>	<u>174,956</u>
Sub-total	73,312	174,956
Fee and commission expenses arising from		
Commission fees	—	(221)
Others	(805)	(987)
	<u>(805)</u>	<u>(1,208)</u>
Sub-total	(805)	(1,208)
Net fee and commission income	<u>72,507</u>	<u>173,748</u>

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

4 OTHER NET INCOME

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants	(a)	12,164	50,817
Net exchange (losses)/gains		(995)	39,703
Others		(1,648)	(250)
Total		9,521	90,270

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

5 PROFIT BEFORE TAXATION

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

(a) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, bonuses and allowances	62,683	81,869
Other social welfare	6,418	8,459
Contributions to pension schemes	749	8,115
Total	69,850	98,443

(b) Impairment losses

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loans and advances to customers	369,426	118,183
Finance lease receivables	565	(3,630)
Other assets	11,409	—
Total	381,400	114,553

(c) Other items

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation and amortisation		
— right-of-use assets	9,290	8,609
— intangible assets	5,536	6,488
— property and equipment	3,143	2,563
Tax and surcharges	7,955	8,645
Legal consultancy	4,662	3,277
Auditor's remuneration	3,800	2,800
Maintenance fees	2,116	4,577
Travel expenses	1,851	4,251
Office expenses	942	4,681
Expense relating to short-term leases	320	345
Listing expenses	—	9,207
Others	10,436	9,967
	<hr/>	<hr/>
Sub-total	50,051	65,410
Finance costs	1,899	1,633
	<hr/>	<hr/>
Total	51,950	67,043

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Provision for the year	76,780	111,121
Over-provision in respect of prior years	(143)	—
	<hr/>	<hr/>
Subtotal	76,637	111,121
	<hr/>	<hr/>
Deferred tax		
Origination of temporary differences	(57,651)	19,257
	<hr/>	<hr/>
Total	18,986	130,378

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

7 EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB54,985 thousands (2019: RMB389,401 thousands) and the weighted average of 2,139,651 thousands ordinary shares (2019: 2,001,771 thousands ordinary shares) in issue during the year, which is set out as follows:

Weighted average number of ordinary shares

	2020	2019
Number of ordinary shares at 1 January (in thousands)	2,139,651	1,600,000
Effect of issuance of H-shares (in thousands)	<u>—</u>	<u>401,771</u>
Weighted average number of ordinary shares at 31 December (in thousands)	<u><u>2,139,651</u></u>	<u><u>2,001,771</u></u>

8 CASH AND DEPOSITS WITH CENTRAL BANK

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits with central bank		
— Statutory deposit reserves	4,796	9,424
— Surplus deposit reserves	<u>226</u>	<u>50</u>
Sub-total	5,022	9,474
Accrued interest	<u>3</u>	<u>5</u>
Total	<u><u>5,025</u></u>	<u><u>9,479</u></u>

9 DEPOSITS WITH BANKS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits with banks	90,379	126,469
Accrued interest	<u>17</u>	<u>55</u>
Total	<u><u>90,396</u></u>	<u><u>126,524</u></u>

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Retail loans	3,563,067	7,522,352
Dealer's loans	<u>2,581,294</u>	<u>2,625,086</u>
Gross loans and advances to customers	6,144,361	10,147,438
Accrued interest	<u>58,581</u>	<u>48,079</u>
Sub-total	6,202,942	10,195,517
Less: Allowances for impairment losses	<u>(451,667)</u>	<u>(191,364)</u>
Net loans and advances to customers	<u><u>5,751,275</u></u>	<u><u>10,004,153</u></u>

As at 31 December 2020, the Company has pledged its retail loans amounting to RMB2.36 billion as collateral to certain placements from banks to the Company (2019: Nil).

(b) Analysed by type of collateral

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Collateralized loans	3,563,067	7,522,352
Guaranteed loans	<u>2,581,294</u>	<u>2,625,086</u>
Gross loans and advances to customers	6,144,361	10,147,438
Accrued interest	58,581	48,079
Less: Allowances for impairment losses	<u>(451,667)</u>	<u>(191,364)</u>
Net loans and advances to customers	<u><u>5,751,275</u></u>	<u><u>10,004,153</u></u>

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

	31 December 2020				Total <i>RMB'000</i>
	Overdue within 3 months (inclusive) <i>RMB'000</i>	Overdue more than 3 months to 6 months (inclusive) <i>RMB'000</i>	Overdue more than 6 months to one year (inclusive) <i>RMB'000</i>	Overdue more than one year <i>RMB'000</i>	
Collateralized loans	<u>33,337</u>	<u>8,282</u>	<u>7,545</u>	<u>1,520</u>	<u>50,684</u>
	31 December 2019				Total <i>RMB'000</i>
	Overdue within 3 months (inclusive) <i>RMB'000</i>	Overdue more than 3 months to 6 months (inclusive) <i>RMB'000</i>	Overdue more than 6 months to one year (inclusive) <i>RMB'000</i>	Overdue more than one year <i>RMB'000</i>	
Collateralized loans	<u>89,974</u>	<u>17,012</u>	<u>12,800</u>	<u>3,385</u>	<u>123,171</u>

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

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

	31 December 2020			Total <i>RMB'000</i>
	12-month ECL <i>RMB'000</i>	Lifetime ECL for not credit-impaired <i>RMB'000</i>	Lifetime ECL for credit-impaired <i>RMB'000</i>	
Gross loans and advances to customers (including accrued interest)	3,524,437	2,656,341	22,164	6,202,942
Less: Allowances for impairment losses	<u>(64,203)</u>	<u>(366,087)</u>	<u>(21,377)</u>	<u>(451,667)</u>
Net loans and advances to customers	<u>3,460,234</u>	<u>2,290,254</u>	<u>787</u>	<u>5,751,275</u>

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

11 FINANCE LEASE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Minimum finance lease receivables	25,687	60,577
Less: Unearned finance lease income	<u>(1,634)</u>	<u>(3,443)</u>
Present value of finance lease receivables	24,053	57,134
Less: Allowances for impairment losses	<u>(5,598)</u>	<u>(5,133)</u>
Total	<u>18,455</u>	<u>52,001</u>

12 PROPERTY AND EQUIPMENT

	Electronic equipment <i>RMB'000</i>	Office furniture <i>RMB'000</i>	Improvement to leasehold property <i>RMB'000</i>	Properties leased for own use carried at cost <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2019	3,597	1,032	7,060	33,918	45,607
Additions	488	50	7,367	15,386	23,291
At 31 December 2019	4,085	1,082	14,427	49,304	68,898
Additions	289	—	1	—	290
Disposals	(7)	—	—	(13,092)	(13,099)
At 31 December 2020	4,367	1,082	14,428	36,212	56,089
Accumulated depreciation:					
At 1 January 2019	(1,442)	(557)	(4,577)	(10,618)	(17,194)
Charge for the year	(734)	(199)	(1,630)	(8,609)	(11,172)
At 31 December 2019	(2,176)	(756)	(6,207)	(19,227)	(28,366)
Charge for the year	(691)	(122)	(2,330)	(9,290)	(12,433)
Disposals	3	—	—	12,941	12,944
At 31 December 2020	(2,864)	(878)	(8,537)	(15,576)	(27,855)
Net book value:					
At 31 December 2020	1,503	204	5,891	20,636	28,234
At 31 December 2019	1,909	326	8,220	30,077	40,532

13 INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2019	30,185
Additions	<u>7,643</u>
At 31 December 2019	37,828
Additions	<u>361</u>
At 31 December 2020	<u>38,189</u>
Accumulated amortisation:	
At 1 January 2019	(14,828)
Charge for the year	<u>(6,488)</u>
At 31 December 2019	(21,316)
Charge for the year	<u>(5,536)</u>
At 31 December 2020	<u>(26,852)</u>
Net book value:	
At 31 December 2020	<u>11,337</u>
At 31 December 2019	<u>16,512</u>

14 OTHER ASSETS

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other receivables	(a)	225,064	12,570
Prepayments		19,997	3,845
Interest receivables		5,154	7,300
Others		1,322	275
Total		251,537	23,990

(a) Other receivables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Receivables from related party dealers due to third-party loans cancellation	228,188	—
Commission receivables of joint loans	4,872	9,255
Deposits	3,413	3,315
Less: Allowances for impairment losses	(11,409)	—
Total	225,064	12,570

As at 31 December 2020, the ageing of receivables from related party dealers due to third-party loans cancellation is more than 3 months but within 1 year (2019: nil).

15 PLACEMENTS FROM BANKS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Placements from banks		
— secured	1,333,000	—
— unsecured	689,776	5,848,488
Accrued interest	11,135	42,933
Total	2,033,911	5,891,421

16 GUARANTEE DEPOSITS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits provided by dealers for dealer's loans	19,738	135,585
Deposits from finance lease clients	5,995	15,005
Deposits provided by dealers for retail business	4,566	6,255
Total	30,299	156,845

17 LEASE LIABILITIES

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

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year (inclusive)	10,628	11,017	8,982	10,887
After 1 year but within 2 years (inclusive)	9,066	10,023	9,775	11,053
After 2 years but within 3 years (inclusive)	3,678	4,332	9,419	10,023
More than 3 years	—	—	4,212	4,332
	<u>12,744</u>	<u>14,355</u>	<u>23,406</u>	<u>25,408</u>
	<u>23,372</u>	<u>25,372</u>	<u>32,388</u>	<u>36,295</u>
Less: total future interest expenses		(2,000)		(3,907)
Present value of lease liabilities		<u>23,372</u>		<u>32,388</u>

18 OTHER LIABILITIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other payables	96,550	165,881
Advance receipts	1,691	972
Total	98,241	166,853

19 CAPITAL AND RESERVES

(a) Dividends

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interim dividend proposed after interim period (2019: RMB0.08 per share)	—	171,172

(b) Share capital

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

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

(c) Nature and purpose of reserves

(i) Capital reserve

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

(ii) Surplus reserve

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

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

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

(iii) General risk reserve

Pursuant to "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance of the PRC ("MOF"), the Company is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The general risk reserve balance of the Company as at 31 December 2020 amounted to RMB156,047 thousands (31 December 2019: RMB156,047 thousands), which has reached the requirement.

(d) Capital management

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

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

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

20 SEGMENT REPORTING

(a) Business segment

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

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

	Year ended 31 December 2020			
	Retail Business <i>RMB'000</i>	Dealer's loan Business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Net interest income	348,656	143,691	2,796	495,143
Net fee and commission income	72,507	—	—	72,507
Other net income	—	—	9,521	9,521
Operating income	421,163	143,691	12,317	577,171
Operating expenses	(88,060)	(31,841)	—	(119,901)
Impairment losses	(44,033)	(337,367)	—	(381,400)
Finance costs	(1,395)	(504)	—	(1,899)
Profit before taxation	287,675	(226,021)	12,317	73,971
Other segment information				
— Depreciation and amortisation	13,198	4,771	—	17,969

	As at 31 December 2020			
	Retail Business <i>RMB'000</i>	Dealer's loan Business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets/total assets	3,715,297	2,282,560	270,905	6,268,762
Reportable segment liabilities/total liabilities	(1,427,606)	(675,022)	(101,574)	(2,204,202)

	Year ended 31 December 2019			
	Retail Business <i>RMB'000</i>	Dealer's loan Business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Net interest income	427,885	94,295	13,620	535,800
Net fee and commission income	173,748	—	—	173,748
Other net income	—	—	90,270	90,270
Operating income	601,633	94,295	103,890	799,818
Operating expenses	(138,723)	(25,130)	—	(163,853)
Impairment losses	(101,156)	(13,397)	—	(114,553)
Finance costs	(1,382)	(251)	—	(1,633)
Profit before taxation	<u>360,372</u>	<u>55,517</u>	<u>103,890</u>	<u>519,779</u>
Other segment information				
— Depreciation and amortisation	<u>14,951</u>	<u>2,709</u>	<u>—</u>	<u>17,660</u>

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

(b) Geographical information

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

(c) Information about major customers

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

21 CONTINGENCIES

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

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Potential disposal of company's shares by China ZhengTong Auto Services Holding Limited (“the parent company”)

The Company announced on 3 February 2021 and 3 March 2021 that, as informed by the parent company, it was in discussion with an independent potential purchaser regarding, amongst others, a potential disposal of the shares of the Company (the “Potential Disposal”). As far as the Company is aware, no decision has been made on whether to proceed with the Potential Disposal, no formal agreements have been entered into in respect of the Potential Disposal, and the discussion and negotiation were still in progress, therefore the Potential Disposal may or may not proceed.

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

The Company announced on 20 October 2020 that, as informed by the parent company, on 19 October 2020, the controlling shareholder of the parent company, i.e. Joy Capital Holdings Limited (“Joy Capital”) and Mr. Wang Muqing entered into a sale and purchase agreement (the “SPA”) with Xiamen Xindeco Ltd. (“Xindeco”, as buyer). Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of the parent company at a consideration of HK\$1,403,371,394 (the “Transaction”). Upon completion of the Transaction, Xindeco shall become the single largest shareholder of the parent company and will be able to provide financial support to the parent company and its subsidiaries. The completion of the Transaction is subject to fulfillment or waiver of several conditions precedent set out in the SPA, including obtaining necessary authorizations, agreements or approvals from relevant regulators, etc.

As of the date of approval of these financial statements, as far as the Company is aware, the Transaction is still in process.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is an automotive finance company licensed and regulated by the CBIRC focusing on the luxury vehicle market. The Company's principal business comprises automotive loan business where the Company provides loans, direct leasing products and other financial services to the end customers, major customers and corporate clients for purchases of vehicles.

In 2020, the outbreak of the COVID-19 pandemic and subsequent national lockdown in China brought changes and challenges to all sectors with the automobile industry being stagnant for a period of time. Under the double whammy of the COVID-19 pandemic and downswings in economy and according to the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles in China in 2020 represented a year-on-year decrease of 6.5% and 6%, respectively.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the CBIRC. As at 31 December 2020, there are 25 (31 December 2019: 25) licensed automotive finance companies in China, all of which are in competition with commercial banks, financial leasing companies and internet finance companies. Automotive finance companies, being in close relationship with automobile manufacturers and dealers, deliver enhanced product offerings and better services to customers. In addition to self-operated products through conventional financing channels such as inter-bank lending and banking facilities leveraging on its advantages as a licensed institution, the Company actively cooperated with major banks to launch joint loan products as a complement to its self-operated products, so as to facilitate the Company's asset allocation based on market conditions.

During the year, the Company operated and optimised its dealer network and extended its business network to more than 180 cities in China. As at 31 December 2020, the Company has 962 (2019: 913) partnership-based dealers in total. Furthermore, by focusing on sales to middle and high-end brands, these sales channels keep abreast with customers base of consumption upgrade demographic. The strengths of the sales network and reasonably established market presence enable the Company to introduce good customer experience and services to the consumers.

Due to the outbreak of the COVID-19 pandemic and other impacts, consumers' consumption demand for passenger vehicle purchase has reduced, the auto finance industry faced serious challenges and new loans disbursed by the Company has decreased in 2020 comparing with the corresponding period of last year. The Company's loan portfolio decreased by 42.5% to RMB5.75 billion as at 31 December 2020 from RMB10.00 billion as at 31 December 2019. For the year ended 31 December 2020, the Company's net interest income amounted to RMB495 million, representing a decrease of 7.6% as compared to 2019. The Company's operating income amounted to RMB577 million in 2020, representing a decrease of 27.8% as compared to last year. The Company recorded a net profit of RMB55 million in 2020, representing a decrease of 85.9% as compared to the net profit of RMB389.4 million for 2019. The decrease in profit for this year as compared to 2019 was mainly attributable to (i) the decrease in new loans disbursed by the Company as a result of the outbreak of COVID-19, which lowered consumers' consumption demand for passenger vehicles purchase; (ii) the increase in the Company's allowances for impairment losses of approximately RMB267 million relating to its loans and advances to customers and finance lease receivables, etc. due to the negative impact of the COVID-19 pandemic on repayment capabilities of some of its customers; and (iii) the reduction in fee and commission income as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers since 2019.

During the year, total amount of loans disbursed by the Company was RMB6.285 billion, representing a decrease of 55.1% from that of 2019. In terms of retail loans, the Company disbursed a total of 3,760 retail loans throughout 2020, representing a decrease of 87.0% over that of 2019, which was mainly due to the decrease in new loans resulting from the impact of the outbreak of the COVID-19 pandemic which caused slowdown in external economic environment as well as lowered consumers' consumption demand, and that the Company taking a more cautious approach when vetting loan applications.

The Company's net fee and commission income mainly consists of non-interest income received by the Company for referral of retail customers to commercial banks or other financial institutions and provision of loan-related services. The Company's net fee and commission income in 2020 amounted to RMB72.5 million, representing a decrease of 58.3% as compared to RMB173.7 million in 2019. This was mainly due to the lower income from consulting services as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers in response to changes in the market operating environment.

In terms of dealer loan business, as of 31 December 2020, the loan balance was RMB2.581 billion, which remained stable as compared to that at the end of 2019. For the year ended 31 December 2020, the Company's average yield of dealer loan decreased from 9.75% to 8.24%, which was mainly due to the adjustments of interest rate made by the Company for customers greatly affected by the pandemic.

	As at/For the year ended	
	31 December	
	2020	2019
Amount of loans disbursed (<i>RMB million</i>)	6,285.12	13,984.08
Number of self-operated retail loan disbursed	3,760	28,815
Including: Standard self-operated loans	1,694	20,902
Joint loans	2,066	7,913
Gross outstanding loan balance (<i>RMB million</i>)	6,144.36	10,147.44
Including: Retail loan	3,563.07	7,522.35
Dealer loan	2,581.29	2,625.09

For the purposes of risk management, the Company has strengthened its risk management and control capacity with focuses on risk policies, big data risk control, risk monitoring and asset preservation and has achieved a decrease in both non-performing loan ratio and non-performing loan balance. As of 31 December 2020, the Company's non-performing loan balance was RMB22 million, representing a decrease of 51% from RMB45 million at the end of 2019; the Company's non-performing loan ratio decreased to 0.36% as of 31 December 2020 from 0.44% as at 31 December 2019. The aforesaid loan quality was mainly attributable to the following measures: (i) the Company introduced multi-dimensional risk data and applied statistics principle and machine learning algorithm to promote the iterative upgrade of the big data risk control model, enhanced the automated approval system in respect of the ability to identify customer fraud risk and credit risk and improved the efficiency of credit and loan approval and decision-making; (ii) the Company strengthened the daily risk monitoring mechanism including channel business quality monitoring, business risk cost monitoring, business risk special investigation, post-loan monitoring and client visits, etc. to identify and control potential risks in a faster and more accurate manner; and (iii) under the pressure that a general decrease in repayment capabilities of customers due to the pandemic, the Company comprehensively improved the asset preservation strategy, enhanced the asset recovery and disposal capacity at all stages, raised the working efficiency in the legal litigation stage. The Company's overall recovery capacity of overdue assets has been significantly improved compared with previous years.

	As at 31 December	
	2020	2019
Non-performing loan (NPL) ratio (60+)	0.36%	0.44%
Loan provision rate	7.35%	1.89%
Provision coverage ratio	2,037.81%	423.97%

On 20 October 2020, the Company received the administrative decisions (the “Decisions”) by the CBIRC Shanghai Office which stated that (i) the dealer auto loan business of the Company was carried out in serious violation of principle of prudent operation; (ii) ZhengTong obtained approval for the establishment of the Company by improper means; and (iii) ZhengTong and its related parties engaged in non-compliant related party transactions with the Company. According to the Decisions, the administrative approvals in respect of agreeing the capital contribution and capital increase by the controlling Shareholder have been revoked; the Company shall withdraw the equity interests in the Company held by ZhengTong, restrict the relevant shareholder’s rights of ZhengTong; and the controlling Shareholder’s benefits based on the revoked administrative approvals would not be protected. In addition, the CBIRC Shanghai Office ordered the Company to suspend the operation of the dealer auto loan business, imposed a fine of RMB2 million on the Company and issued a warning to Mr. Li Yi, the president of the Company. Since receiving the Decisions, the Company has conducted review and assessment towards dealer loan business, retail loan business and related party transactions and formulated a working plan to rectify and implement the requirements set out in the Decisions. Details have been disclosed in the Company’s announcement dated 7 December 2020. Regarding the withdrawal of Shareholder, the Company announced on 3 February 2021 and 3 March 2021 that, as informed by ZhengTong, ZhengTong was in discussion with an independent potential purchaser (the “Potential Purchaser”) regarding, amongst others, a potential disposal of the shares of the Company (the “Potential Disposal”). As far as the Company is aware, no decision has been made on whether to proceed with the Potential Disposal, no formal agreements have been entered into in respect of the Potential Disposal, and the discussion and negotiation were still in progress, therefore the Potential Disposal may or may not proceed.

FINANCIAL REVIEW

Net Interest Income

The Company's net interest income decreased by 7.6% to approximately RMB495 million in 2020 from approximately RMB536 million in 2019.

Set out below are the comparative figures for the year ended 31 December 2020 and 2019.

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income		
Loans and advances to customers	737,326	978,697
Deposits with central bank and other banks	2,796	13,620
Finance lease receivables	3,230	7,416
	<u>743,352</u>	<u>999,733</u>
Interest expenses		
Placements from banks	(248,209)	(463,800)
Deposits from shareholders	—	(133)
	<u>(248,209)</u>	<u>(463,933)</u>
Net interest income	<u><u>495,143</u></u>	<u><u>535,800</u></u>

1. Interest income: For the year ended 31 December 2020, the Company recorded an interest income of approximately RMB743 million, representing a decrease of 25.6% as compared to approximately RMB1,000 million in the same period of 2019. The decrease in interest income was mainly due to the decrease in loan size, as well as a decrease in the yield of loans due to the market conditions. The average yield of retail loans decreased from 9.78% in 2019 to 9.51% in 2020, while the average yield of dealer loans decreased from 9.75% in 2019 to 8.24% in 2020.

	For the year ended	
	31 December	
	2020	2019
	%	%
Net interest margin	5.85	4.83
Average yield of loans and advances to customers	9.10	9.78
Including: average yield of retail loans	9.51	9.78
average yield of dealer loans	8.24	9.75

2. Interest expenses: Interest expenses of the Company decreased from approximately RMB464 million in 2019 to approximately RMB248 million in 2020, mainly due to the decrease in borrowings resulting from the reduction in loan portfolio and the decrease in the Company's inter-bank borrowing rate in 2020 compared to 2019 resulting from changes in interest rate in the market. As at 31 December 2020, the Company's outstanding balance of placements from banks was approximately RMB2.03 billion (2019: RMB5.89 billion). For the year ended 31 December 2020, the average cost of interest-bearing liabilities was 6.09% (2019: 6.56%).

	For the year ended	
	31 December	
	2020	2019
	%	%
Average cost of interest-bearing liabilities	6.09	6.56
Average cost of additional new interest-bearing liabilities	6.13	6.08

Non-interest Income

For the year ended 31 December 2020, the Company received non-interest income of approximately RMB82 million, representing a decrease of 68.9% as compared to that of approximately RMB264 million for the same period of 2019.

1. Net fee and commission income: Net fee and commission income of the Company for 2020 was approximately RMB72.5 million. Set forth below is a detailed breakdown:

	For the year ended	
	31 December	
	2020	2019
	RMB'000	RMB'000
Fee and commission income		
Consulting services	12,901	91,615
Joint loan services	48,505	69,954
Others	11,906	13,387
	<u>73,312</u>	<u>174,956</u>
Sub-total	73,312	174,956
Fee and commission expenses		
Commission fees	—	(221)
Others	(805)	(987)
	<u>(805)</u>	<u>(1,208)</u>
Sub-total	(805)	(1,208)
Net fee and commission income	<u>72,507</u>	<u>173,748</u>

The Company's net fee and commission income in 2020 amounted to approximately RMB72.5 million, representing a decrease of 58.27% as compared to that in 2019. This was mainly due to the decrease in income from consulting services as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers since 2019 in response to the changes in the market operating environment, including the limitation and restriction imposed on the fee income for auto finance services.

2. Other net income: In 2020, the Company's other net income amounted to approximately RMB10 million (2019: RMB90 million), which comprised mainly of government grants of RMB12 million for the financial sector received from the People's Government of Pudong New District and foreign exchange losses of approximately RMB1 million.

Operating Expenses

For the year ended 31 December 2020, the Company's operating expenses amounted to approximately RMB120 million in aggregate, representing a decrease of RMB44 million as compared to approximately RMB164 million for the same period of 2019, which was mainly due to (i) the decrease in labor cost and other operating expenses resulting from the reduction of the Company's business and cost control measures; and (ii) absence of one-off listing expenses during the year.

Impairment Loss

The Company has adopted the HKFRS 9 Expected Credit Loss Model to categorise the risk assets of the Company into three stages. In 2020, the total impairment loss amounted to approximately RMB381 million (2019: RMB115 million), representing an increase of 233% as compared to 2019. Based on the Company's assessment and taking into account the negative impact on repayment capabilities of some of its customers resulting from the COVID-19 pandemic, there was an increase in allowances for impairment losses in loans and advances to customers and finance lease receivables. For details, please refer to the table set out below:

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	369,426	118,183
Finance lease receivables	565	(3,630)
Other assets	11,409	—
	<hr/>	<hr/>
Total	<u>381,400</u>	<u>114,553</u>

Net Profit

For the year ended 31 December 2020, the Company recorded a net profit of approximately RMB55 million, representing a decrease of RMB334 million as compared to approximately RMB389 million in 2019.

Cash and Deposits with Central Bank

As at 31 December 2020, the Company's cash and deposits with central bank amounted to approximately RMB5 million (2019: RMB9 million), representing a decrease of RMB4 million as compared to 2019. The deposits with central bank mainly comprise statutory deposit reserves and surplus deposit reserves. In accordance with the rules set by the People's Bank of China, the Company deposited 6% of the guarantee deposits and deposits from Shareholders to the statutory deposit reserves. The decrease in balance was due to the decrease in the guarantee deposits balance during the year.

Deposits with Banks

As at 31 December 2020, deposits with banks amounted to approximately RMB90 million, representing a decrease of 28.6% as compared to approximately RMB127 million as at 31 December 2019. The significant decrease was mainly attributable to partial repayment of placements from banks by the Company before the end of the year and the relatively tight domestic capital market at the end of 2020.

Loans and Advances to Customers

As of 31 December 2020, net loans and advances to customers amounted to approximately RMB5.75 billion, representing a decrease of 42.5% as compared to approximately RMB10.0 billion at the end of 2019. The Company's loan business mainly consists of auto loan business, among which, the gross balance of retail loans amounted to approximately RMB3.56 billion, representing a decrease of 52.6% as compared to approximately RMB7.52 billion at the end of 2019, while the gross balance of dealer loans amounted to approximately RMB2.58 billion, representing a decrease of 1.7% as compared to approximately RMB2.63 billion as at 31 December 2019.

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Retail loans	3,563,067	7,522,352
Dealer's loans	<u>2,581,294</u>	<u>2,625,086</u>
Gross loans and advances to customers	6,144,361	10,147,438
Accrued interest	58,581	48,079
Less: Allowances for impairment loss	<u>(451,667)</u>	<u>(191,364)</u>
Net loans and advances to customers	<u>5,751,275</u>	<u>10,004,153</u>

Placements from Banks

The Company's placements from banks as at 31 December 2020 were approximately RMB2 billion, representing a decrease of 65.5% as compared to approximately RMB5.89 billion at the end of 2019, which was in line with the decrease in loan size.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements are mainly satisfied by share capital, placements from commercial banks and proceeds from loan products and services, which provided strong financial support to the Company's loans business. As at 31 December 2020, the Company's deposits with banks amounted to approximately RMB90 million, representing a decrease of 28.6% as compared to approximately RMB127 million as at the end of 2019. The Company's placements from banks amounted to approximately RMB2.03 billion, representing a decrease of 65.5% as compared to approximately RMB5.89 billion as at the end of 2019. The Company's total facilities were over RMB2.47 billion and unutilised balance was over RMB0.44 billion.

The Company's capital adequacy ratio increased from 41.62% as at 31 December 2019 to 59.37% as at 31 December 2020.

	As at 31 December	
	2020	2019
Core tier-one capital adequacy ratio	58.38%	40.54%
Tier-one capital adequacy ratio	58.38%	40.54%
Capital adequacy ratio	59.37%	41.62%
Liquidity ratio	88.58%	137.12%
Gearing ratio	35.16%	61.18%

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

FOREIGN EXCHANGE RISK

As the Company's business is primarily operated in mainland China and settled in Renminbi, there are no material foreign exchange risks. As at 31 December 2020, the Company had certain deposits with banks and other liabilities denominated in foreign currencies with a net position of approximately RMB37.4 million. The foreign exchange risk is considered to be low.

MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the year ended 31 December 2020, there was no material acquisition and disposal of the Company's material assets.

SIGNIFICANT INVESTMENT

As at 31 December 2020, the Company did not hold any significant investment in equity interest in any company.

CHARGES ON ASSETS

The Company has charged its assets as the security for bank financings to be used as working capital for daily operations. As at 31 December 2020, the Company's assets charged amounted to approximately RMB2,357.21 million (31 December 2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, the Company did not have any plans for material investments and capital assets.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2020, the Company had 218 employees in total, and most of the employees were located in the PRC. The Company has a team of highly educated and talented individuals. As at 31 December 2020, approximately 95% of the Company's employees hold a bachelor's degrees or above, and 18% hold a master's degree or above. In 2020, total staff costs of the Company amounted to approximately RMB70 million (2019: RMB98 million).

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

SIGNIFICANT LITIGATION AND ARBITRATION

During the year ended 31 December 2020, there was no litigation and arbitration which had a significant impact on the operating activities of the Company.

CONTINGENT LIABILITIES

The Company did not have any material contingent liabilities as at 31 December 2020.

CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

Facing the domestic auto sales slowdown and the overall trend of increasing downward pressure in the industry, the Company will provide more flexible, diverse, and innovative financial services and improve customer experience as well as maintaining a sound risk control ability by combining new technologies to support the development of the real economy of the automobile industry by closely observing the current market situation. In 2021, the Company plans to implement the following measures:

Firstly, it will make further dedication to the business of manufacturers and improve market penetration rate. It will strengthen the motivation of channel cooperation through professional training and in-store counseling, etc. Particularly, in the face of the rising trend of new energy vehicles, the Company will extensively explore cooperation opportunities with relevant car brands and seek financing opportunities along the new energy vehicle industry chain in order to provide for new business growth brought about by the upgrading of the consumer industry in the future.

Secondly, in terms of technological finance, it will proactively develop online intelligent financial service technologies such as client-side financial applications, mini program of WeChat and public accounts of WeChat. Meanwhile, it will continue to expand third-party financial system interface aiming at carrying out utilitarian functions such as online advertising, automation of approval, agreement execution and loan disbursement processes and facilitation of repayment as well as improving user experience, enhancing product offerings and satisfying service demands.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

No interim dividend has been declared by the Company in 2020. An interim dividend of RMB0.08 per Share (tax inclusive) was approved by the Shareholders at the 2019 third extraordinary general meeting of the Company held on 21 October 2019 and paid on 29 November 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own code of conduct regarding securities transaction by the Directors and the Supervisors on terms no less exacting than the required standard in the Model Code. The Company has made specific enquiries to all the Directors and Supervisors and they have confirmed that each of them has complied with the above-mentioned code for the year ended 31 December 2020.

CORPORATE GOVERNANCE

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

For the year ended 31 December 2020, the Company has complied with all code provisions of the Corporate Governance Code.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Potential disposal of the Company's shares by ZhengTong

The Company announced on 3 February 2021 and 3 March 2021 that, as informed by ZhengTong, ZhengTong was in discussion with the Potential Purchaser regarding, amongst others, the Potential Disposal. As far as the Company is aware, no decision has been made on whether to proceed with the Potential Disposal, no formal agreements have been entered into in respect of the Potential Disposal, and the discussion and negotiation were still in progress, therefore the Potential Disposal may or may not proceed.

Potential disposal of the ZhengTong's shares by its controlling shareholder

The Company announced on 20 October 2020 that, as informed by ZhengTong, on 19 October 2020, the controlling shareholder of ZhengTong, i.e. Joy Capital Holdings Limited ("Joy Capital") and Mr. Wang Muqing entered into a sale and purchase agreement (the "SPA") with Xiamen Xindeco Ltd. ("Xindeco", as buyer). Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of ZhengTong at a consideration of HK\$1,403,371,394 (the "Transaction"). Upon completion of the Transaction, Xindeco shall become the single largest shareholder of ZhengTong and will be able to provide financial support to ZhengTong and its subsidiaries. The completion of the Transaction is subject to fulfillment or waiver of several conditions precedent set out in the SPA, including obtaining necessary authorizations, agreements or approvals from relevant regulators, etc. As far as the Company is aware, the Transaction is still in process.

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

During the year ended 31 December 2020, the Company did not purchase, sell or redeem any of the Company's listed securities.

REVIEW OF ACCOUNTS

As at the date of this announcement, the audit committee of the Board (the "Audit Committee") comprises two independent non-executive Directors, namely Mr. Wong Man Chung Francis (chairman) and Ms. Liang Yanjun. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2020. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management. Based on the review and discussions with the management, the Audit Committee was satisfied that the Company's audited annual financial statements were prepared in accordance with applicable accounting standards and fairly present the Company's financial position and results for the year under review. Following the resignation of Mr. Lin Zheyang as an independent non-executive Director on 30 June 2020, the Company has been actively identifying suitable candidate(s) with a view to filling the vacancies on the Board as soon as practicable.

The financial figures in respect of the Company's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Company's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the Company's website at www.dongzhengafcc.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2020 will be published on the aforesaid websites and despatched to the Shareholders in due course.

APPRECIATION

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

DEFINITIONS

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

“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Shanghai Office”	Shanghai Office of the CBIRC
“Company”	Shanghai Dongzheng Automotive Finance Co., Ltd*. (上海東正汽車金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Stock Exchange (stock code: 2718)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
“H Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and held by persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange
“ZhengTong”	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a controlling shareholder of the Company, a company incorporated on 9 July 2010 as an exempted company with limited liability under the laws of the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange (stock code: 1728)
“%”	per cent

By Order of the Board
Shanghai Dongzheng Automotive Finance Co., Ltd.*
Lin Fan
Chairman

Shanghai, 31 March 2021

As of the date of this announcement, the Board comprises Mr. Lin Fan and Mr. Shao Yongjun as executive Directors; Mr. Koh Tee Choong and Mr. Li Guozhou as non-executive Directors; and Mr. Wong Man Chung Francis and Ms. Liang Yanjun as independent non-executive Directors.

* *For identification purposes only*