东正金融
DONGZHENG AFC

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

As of 30 June 2019:

Total assets increased to RMB11, 857 million

For the six months ended 30 June 2019:

Operating income increased to RMB387 million

Net interest income increased to RMB222 million

Profit after taxation amounted to RMB202 million

INTERIM RESULTS

The Board of Shanghai Dongzheng Automotive Finance Co., Ltd.* hereby announces the unaudited interim financial statements of the Company for the six months ended 30 June 2019, together with the comparative figures for the corresponding period of 2018, which shall be read in conjunction with the management discussion and analysis below.

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019
(Express in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) (Note) RMB'000
Assets			
Cash and deposits with central bank	10	**8,925**	35,213
Deposits with banks and other financial institutions	11	**1,656,055**	780,960
Loans and advances to customers	12	**9,968,956**	8,426,177
Finance lease receivables	13	**83,835**	102,980
Property and equipment		**25,576**	5,113
Intangible assets		**14,581**	15,357
Deferred tax assets		**55,630**	73,804
Other assets	14	**43,919**	92,557
Total assets		**11,857,477**	9,532,161
Liabilities			
Placements from banks and other financial institutions	15	**7,517,395**	6,085,347
Guarantee deposits	16	**123,675**	79,632
Deposits from shareholders	17	**—**	600,000
Lease liabilities	3(d)	**20,514**	—
Current taxation		**34,029**	59,478
Other liabilities	18	**168,662**	224,611
Total liabilities		**7,864,275**	7,049,068
NET ASSETS		**3,993,202**	2,483,093
CAPITAL AND RESERVES	19		
Share capital		**2,139,651**	1,600,000
Reserves		**1,853,551**	883,093
TOTAL EQUITY		**3,993,202**	2,483,093

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BACKGROUND INFORMATION

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

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

2 BASIS OF PREPARATION

This interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2019.

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

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial statements contain condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the Accountants' Report. The condensed interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

3 CHANGES IN ACCOUNTING POLICIES

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

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

HKFRS 16, *Leases*

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

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

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

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

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

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

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

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

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

(b) Critical accounting judgements and sources of estimation uncertainty in applying above accounting policies

Determining the lease term

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

(c) Transition impact

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

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

(i) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Company relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

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

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

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019

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

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

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

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

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

(d) Lease liabilities

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

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**4,339**	**5,577**	6,512	7,925
After 1 year but within 2 years	**4,450**	**5,413**	4,152	5,249
After 2 years but within 3 years	**4,876**	**5,524**	4,615	5,415
More than 3 years	**6,849**	**7,165**	9,241	9,834
	16,175	**18,102**	18,008	20,498
	20,514	**23,679**	24,520	28,423
Less: total future interest expenses		**(3,165)**		(3,903)
Present value of lease liabilities		**20,514**		24,520

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

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

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

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

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

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

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

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

4 NET INTEREST INCOME

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

5 NET FEE AND COMMISSION INCOME

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

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

6 OTHER NET INCOME

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

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

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

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

(b) Impairment losses

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

(c) Other items

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

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

8 INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS

Taxation in the statement of profit or loss represents:

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

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

9 BASIC AND DILUTED EARNINGS PER SHARE

(a) Calculations of basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB201,856 thousand (six months ended 30 June 2018: RMB224,074 thousand) and the weighted average of 1,861,604 thousand ordinary shares (2018: 1,600,000 thousand shares) in issue during the interim period.

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

(b) Weighted average number of ordinary shares (in thousands)

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

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

10 CASH AND DEPOSITS WITH CENTRAL BANK

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Deposits with central bank		
— Statutory deposit reserves	**7,638**	15,176
— Surplus deposit reserves	**1,283**	20,037
Sub-total	**8,921**	35,213
Accrued interest	**4**	—
Total	**8,925**	35,213

11 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

12 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

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

(b) Analysed by type of collateral

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

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

	As at 30 June 2019				
	Overdue within 3 months (inclusive)	**Overdue more than 3 months to 6 months (inclusive)**	**Overdue more than 6 months to one year (inclusive)**	**Overdue more than one year**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Collateralized loans	**62,253**	**20,345**	**2,477**	**1,442**	**86,517**

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

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more. All amounts are shown as gross amount of overdue loans and advances to customers before any allowances for impairment losses. As at 30 June 2019, there was no overdue guaranteed loan (as at 31 December 2018: Nil).

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

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

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

13 FINANCE LEASE RECEIVABLES

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

14 OTHER ASSETS

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

15 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

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

16 GUARANTEE DEPOSITS

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

17 DEPOSITS FROM SHAREHOLDERS

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

18 OTHER LIABILITIES

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

19 CAPITAL AND RESERVES

(a) Movement in components of equity

The reconciliation between the opening and closing of each component of the Company's equity for the reporting period is set out in the statements of changes in equity.

(b) Share capital

On 3 April 2019, the H shares of the Company were listed on the Main Board of the HKSE, pursuant to which 533,336 thousand ordinary shares of RMB1.00 each were issued at the price of HK$3.06 per share by the Company. The gross proceeds from the issue of these H-shares amounted HK$1,632,008 thousand (equivalent to approximately RMB1,397,081 thousand). The premium arising from the issuance of H-shares upon public offering amounted RMB760,080 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 thousand ordinary shares of RMB1.00 each were issued at the price of HK$3.06 per share by the Company. The gross proceeds from the issue of these shares amounted HK$19,325 thousand (equivalent to approximately RMB16,589 thousand). The premium arising from the issuance of shares upon over-allotment amounted RMB9,437 thousand was recorded in capital reserve.

(c) Capital reserve

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

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 customer's purchase of passenger vehicles. These products and services include the Company's direct loans where it issues automobile retail loans to customers with its own funding and charge interests on the loans, loan facilitation services, joint loan arrangement and direct lease services.

— Dealer's loan Business: This segment represents the Company's dealer's loans provided to automobile dealers to facilitate their purchase of vehicles and accessories.

— Others: These represent any other business which cannot form a single reportable segment.

	Six months 30 June 2019			
	Retail Business	Dealer's loan Business	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net interest income	**189,050**	**24,967**	**7,981**	**221,998**
Net fee and commission income	**128,234**	**—**	**—**	**128,234**
Other net income	**—**	**—**	**36,601**	**36,601**
Operating income	**317,284**	**24,967**	**44,582**	**386,833**
Operating expenses	**(62,889)**	**(6,296)**	**—**	**(69,185)**
Impairment losses	**(40,805)**	**(6,741)**	**—**	**(47,546)**
Finance costs	**(710)**	**(71)**	**—**	**(781)**
Profit before taxation	**212,880**	**11,859**	**44,582**	**269,321**
Other segment information				
— Depreciation and amortisation	**7,837**	**785**	**—**	**8,622**

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

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

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

(b) Geographical information

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

(c) Information about major customers

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

21 DIVIDENDS

Dividends payable to equity shareholders attributable to the interim period

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

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

22 CONTINGENCIES

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

23 COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Economic and financial conditions

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

Overview of automobile industry

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

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

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

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

Review of Results

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

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

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

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

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

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

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

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

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

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

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

Business development

(I) to expand both ZhengTong and external dealer networks

By capitalizing on the advantages of 4S dealership channel under ZhengTong and the auto brand of Dongfeng Motor, the Company is committed to its external channel expansion, while extending its business network to nearly 200 middle- and high-end 4S dealership stores, and more than 1,300 partnership-based dealers in more than 300 cities. Besides focusing on sales to middle- and high-end brands, these channels keep abreast with the consumption upgrade demographic. The strengths of the sales network and reasonably established market presence enable the Company to introduce good user experience and services to the consumers.

	As at 30 June 2019	As at 31 December 2018
Number of sales networks	**1,373**	1,280
Including: ZhengTong dealers	**118**	113
External dealers	**1,255**	1,167

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

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

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

(III) to share resources and build ecosystem

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

Corporate development strategy and outlook

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

Funding guarantee

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

Expansion of channels

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

Technological innovation

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

Risk control and management

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

Ecological integration

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

Business outlook

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

Financial Review

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

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

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

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

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

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

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

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

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

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

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

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

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

(III) Operating expenses: As at 30 June 2019, the Company's operating expense amounted to RMB118 million in total, among which, business and administrative expenditure and finance costs amounted to RMB69 million, and impairment loss on assets amounted to RMB48 million, representing an increase of RMB17 million and RMB15 million as compared to RMB52 million and RMB32 million for the same period 2018. As at 30 June 2019, the Company's total number of employees amounted to 373.

(IV) Impairment loss: At the beginning of 2018, the Company adopted the HKFR 9 Expected Credit Loss Model to categorize the risk assets of the Company into three stages. For the first half of 2019, the total impairment loss amounted to RMB48 million, representing an increase of 46.9% as compared to RMB32 million for the same period in 2018.

Impairment Loss

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

(V) Net profit: As at 30 June 2019, the Company achieved net profit of RMB202 million, representing a decrease of RMB22 million as compared to RMB224 million for same period in 2018.

(VI) Analysis over major assets:

1. Cash and deposits with central bank: As at 30 June 2019, deposits with central bank amounted to RMB9 million, representing a decrease of 74.7% as compared to RMB35 million by the end of 2018. The deposits with central bank mainly comprise statutory deposit reserves and surplus deposit reserves. In accordance with the rules set by the People's Bank of China, the Company is required to contribute 6% of the guarantee deposits and deposits from shareholders to the statutory deposit reserves.

2. Deposits with banks: As at 30 June 2019, the deposits with banks amounted to RMB1,656 million, representing an increase of 112.1% as compared to RMB781 million for the end of 2018. A significant increase is mainly attributable to the increasing business demand and proceeds raised from listing.

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

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

(VII) Placements from banks and other financial institutions: The Company's placements from banks and other financial institutions as of 30 June 2019 was RMB7.52 billion, representing an increase of 23.5% as compared to RMB6.09 billion at the end of 2018. The increase in placements from banks and other financial institutions was in line with our overall business growth. As of 30 June 2019, the Company established partnership with a total of 45 creditworthy banks, with total facilities of over RMB11 billion and a withdrawal balance of RMB7.47 billion.

LIQUIDITY RATIO

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the period from the Listing Date and up to 30 June 2019, the Company has continuously complied with all code provisions set out in the Corporate Governance Code.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, 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 from the Listing Date and up to 30 June 2019.

3. INTERIM DIVIDEND

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

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

Closure of Register of Members of H Shares

The register of members of H Shares of the Company will be closed from 21 September 2019 to 21 October 2019 (both days inclusive) for the purpose of determining the right to attend and vote at the EGM. To qualify to attend and vote at the EGM, all share certificates of holders of H Shares, together with the instruments of transfer, must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "H Share Registrar") no later than 4:30 p.m. on 20 September 2019.

Holders of H Shares whose names appear on the register of members of H Shares of the Company on 30 October 2019 (the "Record Date") will be entitled to the interim dividend. For the purpose of determining the entitlement to the interim dividend, the register of members of H Shares of the Company will be closed from 25 October 2019 to 30 October 2019 (both days inclusive), during which period no transfer of H Shares can be registered. In order to be entitled to receive the interim dividend, all share certificates of holders of H shares, together with the instruments of transfer, must be lodged with the H Share Registrar no later than 4:30 p.m. on 24 October 2019. The interim dividend, if approved by the Shareholders at the EGM, is expected to be paid on or before 30 November 2019 to holders of H Shares whose names appear on the register of members of H Shares on the Record Date.

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

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

5. AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Lau Wai Leung Anders (chairman), Mr. Lin Zheying and Ms. Liang Yanjun.

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

6. REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial statements of the Company for the six months ended 30 June 2019. 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 and the Company's auditors, KPMG. Based on this review and discussions with the management, the Audit

Committee was satisfied that the Company's unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Company's financial position and results for the Reporting Period.

7. PUBLICATION OF INTERIM RESULTS, DOCUMENTS IN RELATION TO THE EGM AND INTERIM REPORT

This interim results announcement has been published on the Company's website at www.dongzhengafc.com and the website of the Stock Exchange at www.hkexnews.hk. The documents in relation to the EGM and the interim report of the Company for the six months ended 30 June 2019 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 team and employees for their commitment and diligence, and would also like to thank our Shareholders and business associates for their strong support to the Group.

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
"Company", "Our company", "Dongzheng", or "We"	Shanghai Dongzheng Automotive Finance Co., Ltd*. (上海東正汽車金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H shares are listed on the Stock Exchange (stock code: 2718)
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
"Domestic Shareholder(s)"	holders of Domestic Shares

"Group"	the Company and its subsidiaries
"H Share(s)"	issued ordinary share in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
"H Shareholder(s)"	holders of H Shares
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Date"	the Company is listed on the Stock Exchange on 3 April 2019
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China, and for the purpose of this interim announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 14 March 2019
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	six months ended for the period from 1 January 2019 to 30 June 2019
"Share(s)"	ordinary shares in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company

"Unlisted Foreign Share(s)"	issued ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and held by persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange
"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, 30 August 2019

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. Yin Yaoliang as non-executive Directors; and Mr. Lau Wai Leung Anders, Mr. Lin Zheying and Ms. Liang Yanjun as independent non-executive Directors.

* *For identification purposes only*