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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 2023**

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 2023, together with the comparative figures for the corresponding period in 2022, 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 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income		222,668	150,558
Interest expenses		<u>(6,718)</u>	<u>—</u>
Net interest income	2	<u>215,950</u>	<u>150,558</u>
Fee and commission income		88,425	17,315
Fee and commission expenses		<u>(519)</u>	<u>(290)</u>
Net fee and commission income	3	<u>87,906</u>	<u>17,025</u>
Other net expenses	4	<u>(273)</u>	<u>(4,902)</u>
Operating income		303,583	162,681
Operating expenses		(202,263)	(115,719)
(Recognition) reversal of impairment losses under expected credit loss model		(42,760)	531,714
Finance costs		<u>(171)</u>	<u>(605)</u>
Profit before tax	5	58,389	578,071
Income tax	6	<u>(2,201)</u>	<u>(442,974)</u>
Profit and total comprehensive income for the year		<u>56,188</u>	<u>135,097</u>
Earnings per share			
Basic and diluted (RMB)	7	<u>0.0263</u>	<u>0.0631</u>

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
Assets			
Deposits with central bank		3,543	491
Deposits with banks		455,861	2,861,602
Loans and advances to customers	8	4,418,011	554,939
Finance lease receivables	9	–	14
Property and equipment		13,371	6,565
Intangible assets		1,285	1,156
Tax recoverables		–	12,143
Deferred tax assets		36,426	20,275
Other assets		<u>7,709</u>	<u>15,141</u>
Total assets		<u>4,936,206</u>	<u>3,472,326</u>
Liabilities			
Placements from banks		1,306,005	–
Guarantee deposits		69,100	24,423
Lease liabilities	10	6,120	4,282
Tax payables		3,524	–
Other liabilities		<u>135,705</u>	<u>84,057</u>
Total liabilities		<u>1,520,454</u>	<u>112,762</u>
NET ASSETS		<u>3,415,752</u>	<u>3,359,564</u>
CAPITAL AND RESERVES			
Share capital	11	2,139,651	2,139,651
Reserves	11(b)	<u>1,276,101</u>	<u>1,219,913</u>
TOTAL EQUITY		<u>3,415,752</u>	<u>3,359,564</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. CHANGES IN ACCOUNTING POLICIES

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

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

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

2. NET INTEREST INCOME

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

3. NET FEE AND COMMISSION INCOME

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

4. OTHER NET EXPENSES

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

Notes:

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

5. PROFIT BEFORE TAX FOR THE YEAR

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

(a) Staff costs

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

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

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

(c) Other items

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

6. INCOME TAX

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

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

7. EARNINGS PER SHARE

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

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

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

8. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

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

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

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

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

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

	31 December 2023				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>	
Collateralised loans	114,766	2,735	3,628	7,580	128,709
Guaranteed loans	—	—	—	1,141,250	1,141,250
Total	<u>114,766</u>	<u>2,735</u>	<u>3,628</u>	<u>1,148,830</u>	<u>1,269,959</u>

	31 December 2022				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>	
Collateralised loans	5,025	1,672	6,410	55,558	68,665
Guaranteed loans	—	—	—	1,141,250	1,141,250
Total	<u>5,025</u>	<u>1,672</u>	<u>6,410</u>	<u>1,196,808</u>	<u>1,209,915</u>

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

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

	31 December 2023			Total <i>RMB'000</i>
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	for not credit-	for credit-	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Gross loans and advances to customers (including accrued interest)	4,412,315	118,627	1,158,253	5,689,195
Less: allowances for impairment losses	<u>(92,464)</u>	<u>(21,410)</u>	<u>(1,157,310)</u>	<u>(1,271,184)</u>
Net loans and advances to customers	<u>4,319,851</u>	<u>97,217</u>	<u>943</u>	<u>4,418,011</u>
Provision ratio	<u>2.10%</u>	<u>18.05%</u>	<u>99.92%</u>	
	31 December 2022			Total <i>RMB'000</i>
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	for not credit-	for credit-	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Gross loans and advances to customers (including accrued interest)	559,075	4,202	1,205,713	1,768,990
Less: allowances for impairment losses	<u>(7,195)</u>	<u>(1,383)</u>	<u>(1,205,473)</u>	<u>(1,214,051)</u>
Net loans and advances to customers	<u>551,880</u>	<u>2,819</u>	<u>240</u>	<u>554,939</u>
Provision ratio	<u>1.29%</u>	<u>32.91%</u>	<u>99.98%</u>	

9. FINANCE LEASE RECEIVABLES

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

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

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

	31 December 2023		
	Minimum finance lease receivables <i>RMB'000</i>	Unearned finance lease income <i>RMB'000</i>	Present value of finance lease receivables <i>RMB'000</i>
Overdue	<u>7,775</u>	<u>—</u>	<u>7,775</u>
Less: allowances for impairment losses			<u>(7,775)</u>
Total			<u><u>—</u></u>
	31 December 2022		
	Minimum finance lease receivables <i>RMB'000</i>	Unearned finance lease income <i>RMB'000</i>	Present value of finance lease receivables <i>RMB'000</i>
Overdue	9,470	(17)	9,453
Within 1 year (inclusive)	<u>14</u>	<u>—</u>	<u>14</u>
Sub-total	<u>9,484</u>	<u>(17)</u>	<u>9,467</u>
Less: allowances for impairment losses			<u>(9,453)</u>
Total			<u><u>14</u></u>

10. LEASE LIABILITIES

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

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

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

11. CAPITAL AND RESERVES

(a) Dividends

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

(b) Share capital of the Company

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

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

Note:

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

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

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

12. SEGMENT REPORTING

(a) Business segment

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

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

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

As at 31 December 2023			
	Retail business	Dealer loans	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets			
Loans and advances to customers	4,418,011	–	4,418,011
Other assets	4,684	–	4,684
Segment assets	<u>4,422,695</u>	<u>–</u>	<u>4,422,695</u>
Unallocated other assets			3,025
Other unallocated assets			<u>510,486</u>
Total assets			<u><u>4,936,206</u></u>
Segment liabilities			
Guarantee deposits	(69,100)	–	(69,100)
Other liabilities	(35,316)	–	(35,316)
Segment liabilities	<u>(104,416)</u>	<u>–</u>	<u>(104,416)</u>
Unallocated other liabilities			(100,389)
Other unallocated liabilities			<u>(1,315,649)</u>
Total liabilities			<u><u>(1,520,454)</u></u>
For the year ended 31 December 2022			
	Retail business	Dealer loans	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net interest income	74,226	63,289	137,515
Net fee and commission income	17,025	–	17,025
Reversal of impairment losses under ECL model	19,799	512,006	531,805
Segment profit	<u>111,050</u>	<u>575,295</u>	<u>686,345</u>
Unallocated net interest income			13,043
Unallocated recognition of impairment losses under ECL model			(91)
Other net expenses			(4,902)
Depreciation and amortisation			(13,954)
Other operating expenses			(101,765)
Finance costs			<u>(605)</u>
Profit before tax			<u><u>578,071</u></u>

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

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

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

(b) Geographical information

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

(c) **Information about major customers**

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A ¹	<u>80,935</u>	<u>—</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

Loan application review and approval phase

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

Loan disbursement phase

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

Post-disbursement management phase

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

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

FINANCIAL REVIEW

Net Interest Income

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

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

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

Non-interest Income

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

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

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

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

Operating Expenses

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

Recognition (reversal) of impairment losses under ECL model

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

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

Net Profit

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

Deposits with Central Bank

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

Deposits with Banks

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

Loans and Advances to Customers

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

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

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

Key terms of the Company's loan agreements include:

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

If the borrower fails to make any payment due on time (including the principal and interest due on the loan and other amounts contractually due from the borrower to the lender), the borrower shall pay overdue interest on the unpaid amount. The overdue interest rate is equal to the loan rate plus a fixed percentage increase.

For retail loan business**For dealer loan business**

- | | | |
|-------------------------|---|---|
| 4. Use of loan proceeds | The loan proceeds shall be used for the purchase of cars (including surcharges such as vehicle insurance, vehicle purchase tax, auto parts and accessories, and extended warranty). | The loan proceeds shall be used for the purchase of cars. |
| 5. Security interests | The Company may request vehicle mortgage, third-party guarantee, and additional collateralized assets depending on the circumstances. | |
| 6. Termination | In event of a breach of the loan agreement by the customers, the Company would be authorised under the agreement to, among others: | |
| | <ul style="list-style-type: none">• request additional guarantee;• accelerate the loan repayment date, such as declaring that all borrowings are immediately due or be repaid within a time limit; and• terminate the agreement unilaterally. | |

Placements from Banks

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

FOREIGN EXCHANGE RISK

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

MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

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

SIGNIFICANT INVESTMENT

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

CHARGES ON ASSETS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

HUMAN RESOURCES AND REMUNERATION POLICIES

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

The Company endeavored to create a competitive and fair system for compensation and welfare, by adjusting employees' remuneration and benefits based on their business performance on an annual basis. The Company has been constantly improving its policies on remuneration and incentives and has also refined the long-term incentive scheme for employees and optimized the remuneration structure thereof to link employees' benefits to the overall business operation, for the purpose of enhancing employees' loyalty. Details of the Company's staff costs are set out in note 5(a) to the financial statements.

SIGNIFICANT LITIGATION AND ARBITRATION

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

CONTINGENT LIABILITIES

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

CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

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

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

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

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

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

DIVIDEND

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

CORPORATE GOVERNANCE

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

For the year ended 31 December 2023, the Company has complied with all code provisions of the Corporate Governance Code.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

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

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

REVIEW OF ACCOUNTS

As at the date of this announcement, the audit committee of the Board (the “Audit Committee”) comprises three independent non-executive Directors, namely Mr. Wong Man Chung Francis (chairman), Ms. Liang Yanjun and Mr. Qin Zheng and one non-executive Director, Ms. Lin Weihua. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2023. 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The 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 2023 as set out in the preliminary announcement have been agreed by the Company’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Company’s audited financial statements for the year as approved by the Board of Directors on 28 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the Company’s website at www.dongzhengafc.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2023 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.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, the trading in the H Shares of the Company has been suspended with effect from 9:00 a.m. on 7 October 2022. Trading in the H Shares of the Company will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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”	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 as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for or credited as fully paid in RMB originally issued by the Company to domestic investor(s) for subscription in RMB
“H Share(s)”	the issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

“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
“SAIC Motor”	SAIC Motor Corporation Limited* (上海汽車集團股份有限公司), a controlling shareholder of the Company and a company listed on the Shanghai Stock Exchange (stock code: 600104)
“Share(s)”	ordinary share(s) in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for or credited as fully paid in foreign currency and originally issued to persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange
“%”	per cent

By Order of the Board
Shanghai Dongzheng Automotive Finance Co., Ltd.*
Wu Zheng
General Manager and Executive Director

Shanghai, 28 March 2024

As at the date of this announcement, the Board comprises Ms. Xu Ying as chairlady and non-executive Director; Mr. Wu Zheng as general manager and executive Director; Dr. Zhou Qi and Ms. Lin Weihua as non-executive Directors; and Mr. Wong Man Chung Francis, Ms. Liang Yanjun and Mr. Qin Zheng as independent non-executive Directors.

* *for identification purposes only*