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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 2019**

**RESULTS HIGHLIGHTS**

For the year ended 31 December 2019:

- Net interest income increased by approximately 22% to approximately RMB536 million
- Operating income decreased by approximately 2% to approximately RMB800 million
- Profit and total comprehensive income decreased by approximately 14% to approximately RMB389 million

**FINAL RESULTS**

The Board of Shanghai Dongzheng Automotive Finance Co., Ltd.\* hereby announces the audited annual results of the Company for the year ended 31 December 2019, together with the comparative figures for the corresponding period in 2018, 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 2019**(Express in thousands of Renminbi, unless otherwise stated)*

	<i>Note</i>	<b>2019</b>	2018
		<b><i>RMB'000</i></b>	<i>(Note)</i>
			<b><i>RMB'000</i></b>
Interest income		<b>999,733</b>	759,035
Interest expenses		<b>(463,933)</b>	(320,485)
<b>Net interest income</b>	<b>2</b>	<b>535,800</b>	438,550
Fee and commission income		<b>174,956</b>	331,554
Fee and commission expenses		<b>(1,208)</b>	(1,425)
<b>Net fee and commission income</b>	<b>3</b>	<b>173,748</b>	330,129
<b>Other net income</b>	<b>4</b>	<b>90,270</b>	47,098
<b>Operating income</b>		<b>799,818</b>	815,777
Operating expenses		<b>(163,853)</b>	(127,955)
Impairment losses		<b>(114,553)</b>	(84,343)
Finance costs		<b>(1,633)</b>	—
<b>Profit before taxation</b>	<b>5</b>	<b>519,779</b>	603,479
Income tax	<b>6</b>	<b>(130,378)</b>	(150,962)
<b>Profit and total comprehensive income for the year</b>		<b>389,401</b>	452,517
<b>Earnings per share</b>			
Basic and diluted ( <i>RMB</i> )	<b>7</b>	<b>0.19</b>	0.28

## STATEMENT OF FINANCIAL POSITION

(Express in thousands of Renminbi, unless otherwise stated)

	31 December <i>Note</i>	2019 <i>RMB'000</i>	31 December <i>(Note)</i>	2018 <i>RMB'000</i>
<b>Assets</b>				
Cash and deposits with central bank	8	9,479		35,213
Deposits with banks	9	126,524		780,960
Loans and advances to customers	10	10,004,153		8,426,177
Finance lease receivables	11	52,001		102,980
Property and equipment	12	40,532		5,113
Intangible assets	13	16,512		15,357
Deferred tax assets		54,852		73,804
Other assets	14	23,990		92,557
<b>Total assets</b>		<b>10,328,043</b>		<b>9,532,161</b>
<b>Liabilities</b>				
Placements from banks	15	5,891,421		6,085,347
Guarantee deposits	16	156,845		79,632
Deposits from shareholders	17	—		600,000
Lease liabilities	18	32,388		—
Current taxation		70,961		59,478
Other liabilities	19	166,853		224,611
<b>Total liabilities</b>		<b>6,318,468</b>		<b>7,049,068</b>
<b>NET ASSETS</b>		<b>4,009,575</b>		<b>2,483,093</b>
<b>CAPITAL AND RESERVES</b>				
Share capital	20(b)	2,139,651		1,600,000
Reserves	20(c)	1,869,924		883,093
<b>TOTAL EQUITY</b>		<b>4,009,575</b>		<b>2,483,093</b>

*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 1.

## NOTES TO THE FINANCIAL STATEMENT

*(Express in thousands of Renminbi, unless otherwise stated)*

### 1 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. 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 brought forward from HKAS 17 are substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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. 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.

b. *Lessee accounting and transitional impact*

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 property and equipment.

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:

	<b>1 January 2019</b> <b>RMB'000</b>
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:

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

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 always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of HKFRS 16).

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

*c. 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 within the cash flow statement.

The following tables 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 year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these 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 in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019			2018	
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
<b>Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:</b>					
Operating expenses	(163,853)	8,609	(9,151)	(164,395)	(127,955)
Finance costs	(1,633)	1,633	—	—	—
<b>Profit before taxation</b>	<b>519,779</b>	<b>10,242</b>	<b>(9,151)</b>	<b>520,870</b>	<b>603,479</b>
<b>Profit and total comprehensive income for the year</b>	<b>389,401</b>	<b>10,242</b>	<b>(9,151)</b>	<b>390,492</b>	<b>452,517</b>
<b>Reportable segment profit before taxation for year ended 31 December 2019 impacted by the adoption of HKFRS 16:</b>					
— Retail business	360,372	8,671	(7,747)	361,296	534,942
— Dealer's loan business	55,517	1,571	(1,404)	55,684	17,428
— Others	103,890	—	—	103,890	51,109
<b>Total</b>	<b>519,779</b>	<b>10,242</b>	<b>(9,151)</b>	<b>520,870</b>	<b>603,479</b>

	<b>2019</b>			2018
	<b>Amounts reported under HKFRS 16 (A) RMB'000</b>	<b>Estimated amounts related to operating leases as if under HKAS 17 (Notes 1 &amp; 2) (B) RMB'000</b>	<b>Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000</b>	<b>Compared to amounts reported under HKAS 17 RMB'000</b>
<b>Line items in the cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:</b>				
Cash (used in)/generated from operations	(1,731,797)	(9,151)	(1,740,948)	710,793
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,831,435)</b>	<b>(9,151)</b>	<b>(1,840,586)</b>	<b>540,635</b>
Capital element of lease rentals paid	(7,518)	7,518	—	—
Interest element of lease rentals paid	(1,633)	1,633	—	—
<b>Net cash generated from/(used in) financing activities</b>	<b>1,153,269</b>	<b>9,151</b>	<b>1,162,420</b>	<b>(2,937)</b>

*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.



## 2 NET INTEREST INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Interest income arising from</b>		
Loans and advances to customers	978,697	745,070
Deposits with central bank and other banks	13,620	3,876
Finance lease receivables	7,416	10,089
	<u>999,733</u>	<u>759,035</u>
<b>Sub-total</b>	999,733	759,035
<b>Interest expenses arising from</b>		
Placements from banks	(463,800)	(315,230)
Deposits from shareholders	(133)	(5,255)
	<u>(463,933)</u>	<u>(320,485)</u>
<b>Sub-total</b>	(463,933)	(320,485)
<b>Net interest income</b>	<u>535,800</u>	<u>438,550</u>

## 3 NET FEE AND COMMISSION INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Fee and commission income arising from</b>		
Consulting services	91,615	281,739
Joint loan services	69,954	46,990
Others	13,387	2,825
	<u>174,956</u>	<u>331,554</u>
<b>Sub-total</b>	174,956	331,554
<b>Fee and commission expenses arising from</b>		
Commission fees	(221)	(740)
Others	(987)	(685)
	<u>(1,208)</u>	<u>(1,425)</u>
<b>Sub-total</b>	(1,208)	(1,425)
<b>Net fee and commission income</b>	<u>173,748</u>	<u>330,129</u>

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

#### 4 OTHER NET INCOME

	<i>Note</i>	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Government grants	(a)	<b>50,817</b>	48,405
Net exchange gain		<b>39,703</b>	—
Others		<b>(250)</b>	(1,307)
<b>Other net income</b>		<b>90,270</b>	<b>47,098</b>

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

#### 5 PROFIT BEFORE TAXATION

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

##### (a) Staff costs

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Salaries, bonuses and allowances	<b>81,869</b>	63,177
Contributions to pension schemes	<b>8,115</b>	6,844
Other social welfare	<b>8,459</b>	6,235
<b>Total</b>	<b>98,443</b>	<b>76,256</b>

##### (b) Impairment losses

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Loans and advances to customers	<b>118,183</b>	73,211
Deposits with banks	—	(135)
Finance lease receivables	<b>(3,630)</b>	11,267
<b>Total</b>	<b>114,553</b>	<b>84,343</b>

(c) Other items

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Depreciation and amortisation		
— property and equipment	2,563	2,195
— intangible assets	6,488	5,546
— right-of-use assets	8,609	—
Listing expenses	9,207	2,268
Tax and surcharges	8,645	6,295
Office expenses	4,681	2,934
Maintenance fees	4,577	3,288
Travel expenses	4,251	3,996
Legal consultancy	3,277	2,096
Auditor's remuneration	2,800	500
Expense relating to short-term leases	345	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	—	12,928
Others	9,967	9,653
	<hr/>	<hr/>
Sub-total	65,410	51,699
Finance cost	1,633	—
	<hr/>	<hr/>
<b>Total</b>	<b>67,403</b>	<b>51,699</b>
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**6 INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Current tax</b>		
Provision for the year	111,121	152,752
<b>Deferred tax</b>		
Origination and reversal of temporary differences	19,257	(1,790)
	<hr/>	<hr/>
<b>Total</b>	<b>130,378</b>	<b>150,962</b>
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(i) The Company is subject to PRC corporate income tax at the statutory tax rate of 25%.

## 7 EARNINGS PER SHARE

### Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB389,401 thousands (2018: RMB452,517 thousands) and the weighted average of 2,001,771 thousands ordinary shares (2018: 1,600,000 thousands shares) in issue during the year, which is set out as follows:

### Weighted average number of ordinary shares

	2019	2018
Number of ordinary shares at 1 January ( <i>in thousands</i> )	1,600,000	1,600,000
Effect of issuance of H-shares ( <i>in thousands</i> )	401,771	—
	<u>2,001,771</u>	<u>1,600,000</u>

## 8 CASH AND DEPOSITS WITH CENTRAL BANK

	2019	2018
	<i>RMB'000</i>	RMB'000
Deposits with central bank		
— Statutory deposit reserves	9,424	15,176
— Surplus deposit reserves	50	20,037
	<u>9,474</u>	<u>35,213</u>
Sub-total	9,474	35,213
Accrued interest	5	—
	<u>9,479</u>	<u>35,213</u>

## 9 DEPOSITS WITH BANKS

	2019 <i>RMB'000</i>	2018 RMB'000
Deposits with banks	126,469	780,960
Accrued interest	55	—
Less: Allowances for impairment losses	—	—
	<hr/>	<hr/>
<b>Total</b>	<b>126,524</b>	<b>780,960</b>
	<hr/> <hr/>	<hr/> <hr/>

## 10 LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Retail loans	7,522,352	7,671,650
Dealer's loans	2,625,086	890,506
	<hr/>	<hr/>
Gross loans and advances to customers	10,147,438	8,562,156
Accrued interest	48,079	—
Less: Allowances for impairment losses	(191,364)	(135,979)
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Net loans and advances to customers	<b>10,004,153</b>	<b>8,426,177</b>
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(b) Analysed by type of collateral

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Collateralized loans	7,522,352	7,671,650
Guaranteed loans	<u>2,625,086</u>	<u>890,506</u>
Gross loans and advances to customers	10,147,438	8,562,156
Accrued interest	48,079	—
Less: Allowances for impairment losses	<u>(191,364)</u>	<u>(135,979)</u>
Net loans and advances to customers	<u><u>10,004,153</u></u>	<u><u>8,426,177</u></u>

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

	31 December 2019				Total <i>RMB'000</i>
	Overdue within 3 months (inclusive) <i>RMB'000</i>	Overdue more than 3 months to 6 months (inclusive) <i>RMB'000</i>	Overdue more than 6 months to one year (inclusive) <i>RMB'000</i>	Overdue more than one year <i>RMB'000</i>	
Collateralized loans	<u>89,974</u>	<u>17,012</u>	<u>12,800</u>	<u>3,385</u>	<u>123,171</u>

  

	31 December 2018				Total <i>RMB'000</i>
	Overdue within 3 months (inclusive) <i>RMB'000</i>	Overdue more than 3 months to 6 months (inclusive) <i>RMB'000</i>	Overdue more than 6 months to one year (inclusive) <i>RMB'000</i>	Overdue more than one year <i>RMB'000</i>	
Collateralized loans	<u>85,932</u>	<u>15,897</u>	<u>2,037</u>	<u>932</u>	<u>104,798</u>

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

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

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

  

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

11 FINANCE LEASE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Minimum finance lease receivables	60,577	126,287
Less: Unearned finance lease income	<u>(3,443)</u>	<u>(11,844)</u>
Present value of finance lease receivables	57,134	114,443
Less: Allowances for impairment losses	<u>(5,133)</u>	<u>(11,463)</u>
<b>Total</b>	<u>52,001</u>	<u>102,980</u>

## 12 PROPERTY AND EQUIPMENT

	Electronic equipment <i>RMB'000</i>	Office furniture <i>RMB'000</i>	Improvement to leasehold property <i>RMB'000</i>	Properties leased for own use carried at cost ( <i>Note</i> ) <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost:</b>					
At 1 January 2018	2,608	840	5,491	—	8,939
Additions	<u>989</u>	<u>192</u>	<u>1,569</u>	<u>—</u>	<u>2,750</u>
At 31 December 2018	3,597	1,032	7,060	—	11,689
Impact on initial application of HKFRS 16 ( <i>Note</i> )	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,918</u>	<u>33,918</u>
At 1 January 2019	<b>3,597</b>	<b>1,032</b>	<b>7,060</b>	<b>33,918</b>	<b>45,607</b>
Additions	<u>488</u>	<u>50</u>	<u>7,366</u>	<u>15,387</u>	<u>23,291</u>
At 31 December 2019	<u>4,085</u>	<u>1,082</u>	<u>14,426</u>	<u>49,305</u>	<u>68,898</u>
<b>Accumulated depreciation:</b>					
At 1 January 2018	(867)	(398)	(3,116)	—	(4,381)
Charge for the year	<u>(575)</u>	<u>(159)</u>	<u>(1,461)</u>	<u>—</u>	<u>(2,195)</u>
At 31 December 2018	(1,442)	(557)	(4,577)	—	(6,576)
Impact on initial application of HKFRS 16 ( <i>Note</i> )	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,618)</u>	<u>(10,618)</u>
At 1 January 2019	<b>(1,442)</b>	<b>(557)</b>	<b>(4,577)</b>	<b>(10,618)</b>	<b>(17,194)</b>
Charge for the year	<u>(734)</u>	<u>(199)</u>	<u>(1,630)</u>	<u>(8,609)</u>	<u>(11,172)</u>
At 31 December 2019	<u>(2,176)</u>	<u>(756)</u>	<u>(6,207)</u>	<u>(19,227)</u>	<u>(28,366)</u>
<b>Net book value:</b>					
At 31 December 2019	<u>1,909</u>	<u>326</u>	<u>8,219</u>	<u>30,078</u>	<u>40,532</u>
At 31 December 2018	<u>2,155</u>	<u>475</u>	<u>2,483</u>	<u>—</u>	<u>5,113</u>

*Note:* The Company has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 1.



### 13 INTANGIBLE ASSETS

	<b>Computer software RMB'000</b>
<b>Cost:</b>	
At 1 January 2018	26,695
Additions	<u>3,490</u>
At 31 December 2018	30,185
Additions	<u>7,643</u>
At 31 December 2019	<u><b>37,828</b></u>
<b>Accumulated amortisation:</b>	
At 1 January 2018	(9,282)
Charge for the year	<u>(5,546)</u>
At 31 December 2018	(14,828)
Charge for the year	<u>(6,488)</u>
At 31 December 2019	<u><b>(21,316)</b></u>
<b>Net book value:</b>	
<b>At 31 December 2019</b>	<u><b>16,512</b></u>
<b>At 31 December 2018</b>	<u><b>15,357</b></u>

#### 14 OTHER ASSETS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest receivables	7,300	35,607
Other receivables	12,570	22,577
Prepayments	3,845	3,719
IPO service fees	—	30,640
Others	275	14
<b>Total</b>	<b>23,990</b>	<b>92,557</b>

#### 15 PLACEMENTS FROM BANKS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Placements from banks	5,848,488	6,085,347
Accrued interest	42,933	—
<b>Total</b>	<b>5,891,421</b>	<b>6,085,347</b>

#### 16 GUARANTEE DEPOSITS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Deposits provided by dealers for dealer's loans	135,585	56,047
Deposits from finance lease clients	15,005	16,693
Deposits provided by dealers for retail business	6,255	6,892
<b>Total</b>	<b>156,845</b>	<b>79,632</b>

#### 17 DEPOSITS FROM SHAREHOLDERS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Deposits from shareholders	—	600,000

The deposits from shareholders carried a fixed interest rate at 1.10% per annum and the term of the deposits was 3 months. As at 31 December 2019, all the deposits from shareholders were settled.

## 18 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Company's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 ( <i>Note</i> )	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year (inclusive)	8,982	10,887	6,512	7,925
After 1 year but within 2 years (inclusive)	9,775	11,053	4,152	5,249
After 2 years but within 3 years (inclusive)	9,419	10,023	4,615	5,415
More than 3 years	4,212	4,332	9,241	9,834
	<u>23,406</u>	<u>25,408</u>	<u>18,008</u>	<u>20,498</u>
	<u>32,388</u>	36,295	<u>24,520</u>	28,423
Less: total future interest expenses		<u>(3,907)</u>		<u>(3,903)</u>
Present value of lease liabilities		<u>32,388</u>		<u>24,520</u>

*Note:* The Company has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 1.

## 19 OTHER LIABILITIES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Other payables	165,881	141,648
Advance receipts	972	33,648
Interest payable	—	49,315
	<hr/>	<hr/>
<b>Total</b>	<b>166,853</b>	<b>224,611</b>
	<hr/> <hr/>	<hr/> <hr/>

## 20 CAPITAL AND RESERVES

### (a) Dividends

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interim dividend declared and paid of RMB0.08 per share (2018: Nil)	171,172	—
	<hr/>	<hr/>

### (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 thousands ordinary shares of RMB1.00 each were issued at the price of HK\$3.06 per share by the Company. The gross proceeds from the issue of these H-shares amounted to HK\$1,632,008 thousands (equivalent to approximately RMB1,397,081 thousands). The premium arising from the issuance of H-shares upon public offering amounted to RMB760,080 thousands was recorded in capital reserve.

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

**(c) Nature and purpose of reserves**

**(i) Capital reserve**

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

**(ii) Surplus reserve**

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

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

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

**(iii) General risk reserve**

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

**(d) Capital management**

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

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

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

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

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

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

	Year ended 31 December 2018			
	Retail Business <i>RMB'000</i>	Dealer's loan Business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Net interest income	414,272	20,402	3,876	438,550
Net fee and commission income	330,129	—	—	330,129
Other net income	—	—	47,098	47,098
Operating income	744,401	20,402	50,974	815,777
Operating expenses	(123,781)	(4,174)	—	(127,955)
Impairment losses	(85,678)	1,200	135	(84,343)
Profit before taxation	<u>534,942</u>	<u>17,428</u>	<u>51,109</u>	<u>603,479</u>
Other segment information				
— Depreciation and amortisation	<u>7,489</u>	<u>252</u>	<u>—</u>	<u>7,741</u>
	As at 31 December 2018			
	Retail Business <i>RMB'000</i>	Dealer's loan Business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets/total assets	7,694,478	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 the PRC. The non-current assets are located in the PRC as well.

**(c) Information about major customers**

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

## **22 CONTINGENCIES**

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

## **23 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD**

### **Impact of novel coronavirus pandemic (COVID-19)**

The wide spread of the novel coronavirus pandemic (COVID-19) has become a volatile and challenging situation confronted by all stakeholders of the society. After the reporting period, the outbreak of the coronavirus has been declared a pandemic by the World Health Organization. If the outbreak continues, it may impose negative impacts on the Company's results, including but not limited to the Company's interest, fee and commission income. As at the date of this announcement, as the outbreak is still evolving, the Directors consider that it is impracticable to estimate the financial impact to the Company. The Board will continue to assess the impact of the outbreak on the Company's operation and financial performance, and closely monitor the Company's exposure to the risks and uncertainties in connection with the outbreak.

Except for the above, the Company has no material events for disclosure subsequent to 31 December 2019 and up to the date of approval to the financial statements.

## **24 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 1.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Company is an automotive finance company licensed and regulated by the CBIRC focusing on the luxury vehicle market. The Company's principal business comprises (i) retail loan business, where the Company provides retail loans, direct leasing products and other financial services to the end customers, major customers and corporate clients who wish to purchase vehicles; (ii) dealer loan business, where the Company provides dealers with inventory financing to facilitate the procurement and sale of vehicles to end customers.

In 2019, the changing international arena (including the Sino-US trade frictions), coupled with major policies and measures including changes to environmental standards and decreased incentives for new-energy vehicles in China, had brought significant impacts on the automobile industry. According to the China Association of Automobile Manufacturers, for 2019, the production and sales volume of passenger vehicles amounted to 25.721 million and 25.769 million units, representing a year-on-year decrease of 7.5% and 8.2%, respectively. However, the luxury vehicle market continued to expand swiftly. According to the statistics of China Automotive Dealers Association, the retail sales of luxury vehicles amounted to 3.13 million units, representing a year-on-year increase over 12%. Sales contribution of luxury vehicles over total passenger vehicles is over 14%. 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.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the CBIRC. By the end of 2019, there are 25 (2018:25) licensed automotive finance companies in China, all of which are in competition with commercial banks, financial leasing companies and internet finance companies. Automotive finance companies demonstrate their significant advantages of being in close relationship with automobile manufacturers and dealers, as well as enhanced product offerings and service quality.

In 2019, the auto finance market became increasingly tightened under the strengthened management of the CBIRC and Ministry of Commerce of the PRC, including the rectification of business of non-licensed financial leasing companies and P2P-based internet auto finance companies; the suspension of non-compliant loan facilitations for auto finance with banks; and enhancement of measures on customers personal data protection. Despite difficulties and challenges brought to the auto finance industry in the short term, these measures will benefit the healthy and regulated development of the industry in the long run.

Although the overall domestic automobile production and sales volume continued to decline in 2019, the Company's loan portfolio increased by 19% to RMB10.00 billion as at 31 December 2019 from RMB8.43 billion as at 31 December 2018, owing to the Company's strategy of focusing on the luxury vehicle market.

In 2019, the Company's operating income amounted to RMB800 million, representing a decrease of 2% as compared to the operating income of RMB816 million in 2018. The Company recorded a net profit of RMB389 million in 2019, representing a decrease of 14% as compared to the net profit of RMB453 million in 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 and the decrease in net fee and commission income, notwithstanding the increase in interest income.

During the year, by capitalising on the advantages of 4S dealership channel under ZhengTong and its well-developed external dealer network, the Company extended its business network to nearly 200 middle to high-end 4S dealership stores, and more than 900 partnership-based dealers in more than 172 cities. In 2019, the Company is committed to optimize the dealer network by terminating the under-performing dealers and attracting new dealers. By focusing on sales to middle and high-end brands, these sales channels keep abreast with customers base of consumption upgrade demographic. The strengths of the sales network and reasonably established market presence enable the Company to introduce good user experience and services to the consumers.

	<b>As at 31 December</b>	
	<b>2019</b>	2018
Number of sales networks	<b>913</b>	1,280
Including: ZhengTong dealers	<b>118</b>	113
External dealers	<b>795</b>	1,167

The Company disbursed total 28,815 retail loans throughout 2019, representing a decrease of 31% over that of 2018. Among which, 21,946 are disbursed to ZhengTong clients and 6,869 are disbursed to external clients, with a total disbursed amount of RMB4.895 billion, representing a decrease of 31%, which was mainly due to the decrease in new loan amounts resulting from the strategic adjustment of the dealer network.

The Company's net fee and commission income mainly consist of non-interest income received by the Company for referral of retail customers to commercial banks or other financial institutions and provision of loan-related services. The Company's net fee and commission income in 2019 amounted to RMB174 million, representing a decrease of 47% as compared to that in 2018. This was mainly due to the lower income from consultancy services as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers in response to changes in the market operating environment.

In terms of dealer loan business, as of 31 December 2019, the dealer loan balance of the Company was RMB2.63 billion, representing an increase of 196% as compared to that of 2018. For the year ended 31 December 2019, the Company's average yield of dealer loan increased from 7.65% to 9.75%. The Company's interest income from dealer loan increased from RMB40 million in 2018 to RMB180 million in 2019 due to the increase in loan size and yield.

	<b>As at/For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
Amount of loans disbursed ( <i>RMB million</i> )	<b>13,984.08</b>	8,906.09
Number of self-operated retail loan disbursed	<b>28,815</b>	41,730
Including: Standard self-operated loans	<b>20,902</b>	28,149
Joint loans	<b>7,913</b>	13,581
Including: ZhengTong customers	<b>21,946</b>	31,141
External customers	<b>6,869</b>	10,589
Gross outstanding loan balance ( <i>RMB million</i> )		
(before adjustment)	<b>10,147.44</b>	8,562.20
Including: Retail loan	<b>7,522.35</b>	7,671.70
Dealer loan	<b>2,625.09</b>	890.50

For the purposes of risk management, the Company has established a comprehensive risk management system. In particular, the Company has formulated relevant risk management system and operating procedures with respect to admission review, approval requirements, disbursement process, post-loan monitoring and other procedures to manage the credit risk. To constantly optimise risk management and prevent risks, we also enhance the capability to identify and assess risks by implementing measures related to staff training, screening mechanism, client visits, data analysis, etc.

In terms of loan quality, the Company's balance of non-performing loans as of 31 December 2019 was RMB45 million, representing an increase of 96% as compared to that of RMB23 million at the end of 2018. As of 31 December 2019, the Company's non-performing loan ratio was 0.44%, the loan provision rate was 1.89%, and the provision coverage ratio was 423.97%.

	<b>As at 31 December</b>	
	<b>2019</b>	2018
Non-performing loan (NPL) ratio (60+)	<b>0.44%</b>	0.27%
Loan provision rate	<b>1.89%</b>	1.59%
Provision coverage ratio	<b>423.97%</b>	582.29%

## FINANCIAL REVIEW

### Net Interest Income

The Company's net interest income increased by 22.1% to RMB536 million in 2019 from RMB439 million in 2018.

Set out below are the comparative figures for the year ended 31 December 2019 and 2018.

	For the year ended 31 December	
	2019	2018
	<i>RMB'000</i>	RMB'000
<b>Interest income</b>		
Loans and advances to customers	978,697	745,070
Deposits with central bank and other banks	13,620	3,876
Finance lease receivables	7,416	10,089
	<u>999,733</u>	<u>759,035</u>
<b>Interest expenses</b>		
Placements from banks	(463,800)	(315,230)
Deposits from shareholders	(133)	(5,255)
	<u>(463,933)</u>	<u>(320,485)</u>
<b>Net interest income</b>	<u>535,800</u>	<u>438,550</u>

1. Interest income: As of 31 December 2019, the Company recorded an interest income of RMB1,000 million, representing an increase of 31.8% as compared to RMB759 million in the same period of 2018. The increase in interest income was mainly due to the increase in loan size, as well as an increase in the yield of dealer loans due to the market conditions. During the period, the average yield of retail loans was 9.78%, which remained stable as compared to 2018, while the average yield of dealer loans increased to 9.75% from 7.65% in 2018.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	%	%
Net interest margin	<b>4.83</b>	5.48
Average yield of loans and advances to customers	<b>9.78</b>	9.78
Including: average yield of retail loans	<b>9.78</b>	9.92
average yield of dealer loans	<b>9.75</b>	7.65

2. Interest expenses: Interest expenses of the Company increased from RMB320 million in 2018 to RMB464 million in 2019, mainly due to the increase in borrowings and financing costs resulting from the increase in loan size. As of 31 December 2019, the Company's outstanding balance of placements from banks was RMB5.89 billion (2018: RMB6.09 billion), with average cost rate of interest-bearing liabilities of 6.56% (2018: 6.09%).

The increase in financing costs was mainly due to the fact that most of the existing bank loans of the Company were drawn in 2018, with higher interest rates on withdrawals led by the tight funding in the overall interbank market in 2018. In 2019, the weighted average interest rate of the Company's new withdrawals was 6.08%.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	%	%
Average cost of interest-bearing liabilities	<b>6.56</b>	6.09
Average cost of additional new interest-bearing liabilities	<b>6.08</b>	6.68

## Non-interest Income

As at 31 December 2019, the Company received non-interest income of RMB264 million, representing a decrease of 30.0% as compared to that of RMB377 million for the same period of 2018.

1. Net fee and commission income: Net fee and commission income of the Company for 2019 was RMB174 million. Set forth below is a detailed breakdown:

	For the year ended	
	31 December	
	2019	2018
	RMB'000	RMB'000
Fee and commission income		
Consulting services	91,615	281,739
Joint loan services	69,954	46,990
Others	13,387	2,825
	<u>174,956</u>	<u>331,554</u>
Sub-total	<u>174,956</u>	<u>331,554</u>
Fee and commission expenses		
Commission fees	(221)	(740)
Others	(987)	(685)
	<u>(1,208)</u>	<u>(1,425)</u>
Sub-total	<u>(1,208)</u>	<u>(1,425)</u>
Net fee and commission income	<u>173,748</u>	<u>330,129</u>

The Company's net fee and commission income in 2019 amounted to RMB174 million, representing a decrease of 47.4% as compared to that in 2018. This was mainly due to the decrease in income from consultancy services as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers in response to the changes in the market operating environment.

2. Other net income: in 2019, the Company's other net income amounted to RMB90 million (2018: RMB47 million), which comprised mainly of government grants of RMB51 million for the financial sector received from the People's Government of Pudong New District and foreign exchange gains of RMB39 million.

## Operating Expenses

As of 31 December 2019, the Company's operating expenses amounted to RMB164 million in total, representing an increase of RMB36 million as compared to RMB128 million for the same period of 2018, which was mainly due to the increase in labor costs incurred in business expansion and expenses arising from listing on the Stock Exchange.

## Impairment Loss

The Company has adopted the HKFRS 9 Expected Credit Loss Model to categorise the risk assets of the Company into three stages. In 2019, the total impairment loss amounted to RMB115 million (2018: RMB84 million), representing an increase of 36.9% as compared to 2018, which was mainly due to the increase in loan size. For details, please refer to the table set out below:

	For the year ended	
	31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	118,183	73,211
Deposits with banks	—	(135)
Finance lease receivables	(3,630)	11,267
	<u>114,553</u>	<u>84,343</u>
Total	<u>114,553</u>	<u>84,343</u>

## Net Profit

For the year ended 31 December 2019, the Company achieved a net profit of RMB389 million, representing a decrease of RMB64 million as compared to RMB453 million for same period in 2018.

## Cash and Deposits with Central Bank

As at 31 December 2019, the Company's cash and deposits with central bank amounted to RMB9 million (2018: RMB35 million), representing a decrease of 74.3% as compared to 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 deposited 6% of the guarantee deposits and deposits from shareholders to the statutory deposit reserves.

## Deposits with Banks

As at 31 December 2019, deposits with banks amounted to RMB127 million, representing a decrease of 83.7% as compared to RMB781 million as at 31 December 2018. The significant decrease was mainly attributable to partial repayment of placements from banks by the Company before the end of the year and the relatively tight domestic capital market at the end of 2019.

## Loans and Advances to Customers

As of 31 December 2019, net loans and advances to customers amounted to RMB10.00 billion, representing an increase of 18.7% as compared to RMB8.43 billion at the end of 2018. The Company's loan business mainly comprises retail loan business and dealer loan business, among which, the gross balance of retail loans amounted to RMB7.52 billion, representing a decrease of 2% as compared to RMB7.67 billion at the end of 2018, while the gross balance of dealer loans amounted to RMB2.63 billion, representing an increase of 195.5% as compared to RMB0.89 billion as at 31 December 2018.

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Retail loans	<b>7,522,352</b>	7,671,650
Dealer's loans	<b>2,625,086</b>	890,506
Gross loans and advances to customers	<b>10,147,438</b>	8,562,156
Accrued interest	<b>48,079</b>	—
Less: allowances for impairment loss	<b>(191,364)</b>	(135,979)
Net loans and advances to customers	<b>10,004,153</b>	8,426,177

## Placements from Banks

The Company's placements from banks as of 31 December 2019 was RMB5.89 billion, representing a decrease of 3.3% as compared to RMB6.09 billion for 2018, which was mainly due to partial repayment of placements from banks by the Company before the end of the year.



## LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements are mainly satisfied by share capital, placements from commercial banks and proceeds from loan products and services. The Company successfully completed its initial public offering on the Stock Exchange and raised net proceeds of RMB1.37 billion in April 2019, which increased the total share capital to RMB2.14 billion and provided strong financial support to the Company's self-operated retail loans business. As of 31 December 2019, the Company's deposits with banks amounted to RMB127 million, representing a decrease of 83.7% as compared to RMB780 million as at the end of 2018. The Company's placements from banks amounted to RMB5.89 billion, representing a decrease of 3.3% as compared to RMB6.09 billion as at the end of 2018. The Company established co-operations with a total of 43 banks, with total facilities of over RMB10.4 billion and an unutilised balance of over RMB4.5 billion.

The Company's capital adequacy ratio increased from 31.26% at the end of 2018 to 41.62% at the end of 2019.

	As at 31 December	
	2019	2018
Core tier-one capital adequacy ratio	40.54%	30.18%
Tier-one capital adequacy ratio	40.54%	30.18%
Capital adequacy ratio	41.62%	31.26%
Liquidity ratio	137.12%	1,180.02%
Leverage ratio	<u>37.90%</u>	<u>25.77%</u>

*Note:* Leverage ratio = Net tier-one capital/(balance of adjusted on-balance sheet assets + adjusted off-balance sheet items)\* 100%.

## FOREIGN EXCHANGE RISK

As the Company's business is primarily operated in mainland China and settle in Renminbi, there is no material foreign exchange risks. As at 31 December 2019, the Company had certain deposits with banks and other liabilities denominated in foreign currencies with a net position of approximately RMB12 million. The foreign exchange risk is considered to be low.

## MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the year ended 31 December 2019, there was no material acquisition and disposal of the Company's material assets.

## **SIGNIFICANT INVESTMENT**

As at 31 December 2019, the Company did not hold any significant investment in equity interest in any company.

## **CHARGES ON ASSETS**

As at 31 December 2019, there were no charges on the Company's assets.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 31 December 2019, the Company did not have any plans for material investments and capital assets.

## **HUMAN RESOURCES AND REMUNERATION POLICIES**

As of 31 December 2019, the Company had 303 employees in total, and most of the employees were located in the PRC. The Company has a team of highly educated and talented individuals. As of 31 December 2019, approximately 96.4% of the Company's employees hold a bachelor's degrees or above, and 14.5% hold a master's degree or above, with approximately 68% of the Company's employees under the age of 35. In 2019, total staff costs of the Company amounted to approximately RMB98 million (2018: RMB76 million).

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

Apart from taking into account the advice from the remuneration and evaluation committee of the Board and the market levels, the Company also considers the respective competency, contributions and the responsibilities towards the Company in determining the level of remuneration for the Directors.

## **SIGNIFICANT LITIGATION AND ARBITRATION**

During the year ended 31 December 2019, 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 2019.

## **CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK**

Under the influence of changing market conditions, increasingly tightened regulative environment for financial industries and the outbreak of the novel coronavirus pandemic (COVID-2019), 2020 would be a year full of challenges to the Company. To tackle such challenges, the Company will proactively implement several measures. On the one hand, the Company will keep a close watch on state-level policies in relation to economic revitalisation, especially those promoting purchase of vehicles as well as automobile-related products, so as to translate the policies into concrete driving forces for the growth of the Company. On the other hand, the Company will stick to its business strategy of seeking progressive development while maintaining stable business operations and striving to improve on both business expansion and risk management while maintaining compliance in operation, so as to ensure the sustainable development of the Company.

As for business expansion, on top of leveraging its cooperation with a network of more than 900 dealers, the Company will remain committed to identifying quality dealers and expanding its sales network, so as to drive the growth of new vehicle finance business. Meanwhile, the Company will actively expand into automobile finance business in such fields as used-car, thus laying a solid foundation for its future growth.

As for capital resources, with its successful listing on the Stock Exchange, the Company's comprehensive strength has been further enhanced. By leveraging its status as a listed company and a CBIRC licensed corporation, the Company will explore financing channels in the domestic and overseas markets, including inter-bank financing, syndicated loans, asset securitization, financial bonds, and cross-border financing. Meanwhile, the Company will strive to reduce its finance costs and enhance its capital base.

The Company will strengthen the employment of technology and promote its WeChat mini-program and official public account to enhance consumer loyalty, better serve existing and potential customers and enhance brand awareness. In the meantime, the Company will further improve its risk management and reduce the operating costs of post-loan management by using big data analysis, credit information system and automated approval system.

The Company is confident that by leveraging on its extensive sales network, broad range of financing channels and professional risk management, the Company can offer to its customers comprehensive financial services covering purchase, use and replacement of vehicles, while creating value for the Shareholders.

## **DIVIDEND**

An interim dividend of RMB0.08 per Share (tax inclusive) has been approved by the Shareholders at the 2019 third extraordinary general meeting of the Company held on 21 October 2019 and paid on 29 November 2019.

The Board did not recommend the payment of final dividend for the year ended 31 December 2019.

## **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), Mr. Lin Zheyang and Ms. Liang Yanjun. The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2019.

The financial figures in respect of 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 2019 as set out in the preliminary announcement have been compared by the Company’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Company’s audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted its own code of conduct regarding securities transaction by the Directors and the Supervisors on terms no less exacting than the required standard in the Model Code. The Company has made specific enquiries to all the Directors and Supervisors and they have confirmed that each of them has complied with the above-mentioned code from the Listing Date and up to 31 December 2019.

## **CORPORATE GOVERNANCE**

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

During the period from the Listing Date and up to 31 December 2019, the Company has complied with all code provisions of the Corporate Governance Code.

### **IMPORTANT EVENT AFTER THE REPORTING PERIOD**

The wide spread of the novel coronavirus pandemic (COVID-19) has become a volatile and challenging situation confronted by all stakeholders of the society. After the reporting period, the outbreak of the coronavirus has been declared a pandemic by the World Health Organization. If the outbreak continues, it may impose negative impacts on the Company's results, including but not limited to the Company's interest, fee and commission income. As at the date of this announcement, as the outbreak is still evolving, the Directors consider that it is impracticable to estimate the financial impact to the Company. The Board will continue to assess the impact of the outbreak on the Company's operation and financial performance, and closely monitor the Company's exposure to the risks and uncertainties in connection with the outbreak.

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

During the period from the Listing Date up to and including 31 December 2019, the Company did not purchase, sell or redeem any of the Company's listed securities.

### **PUBLICATION OF ANNUAL RESULTS**

This annual results announcement is published on the Company's website at [www.dongzhengafc.com](http://www.dongzhengafc.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 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 and employees for their diligence and contribution, and would also like to thank the Shareholders and business associates for their strong support to the Company.

### **DEFINITIONS**

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

“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)

“Company”	Shanghai Dongzheng Automotive Finance Co., Ltd*. (上海東正汽車金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Stock Exchange (stock code: 2718)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
“H Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	3 April 2019, the date when the Company was listed on the Stock Exchange
“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 set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary 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 share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and held by persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange
“ZhengTong”	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a controlling shareholder of the Company, a company incorporated on 9 July 2010 as an exempted company with limited liability under the laws of the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange (stock code: 1728)
“%”	per cent.

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

Shanghai, 27 March 2020

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

\* *For identification purposes only*