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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 2021**

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 2021, together with the comparative figures for the corresponding period in 2020, 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 2021**(Express in thousands of Renminbi, unless otherwise stated)*

	Note	2021 RMB'000	2020 RMB'000
Interest income		343,818	743,352
Interest expenses		<u>(63,499)</u>	<u>(248,209)</u>
Net interest income	2	<u>280,319</u>	<u>495,143</u>
Fee and commission income		34,503	73,312
Fee and commission expenses		<u>(785)</u>	<u>(805)</u>
Net fee and commission income	3	<u>33,718</u>	<u>72,507</u>
Other net income	4	<u>2,083</u>	<u>9,521</u>
Operating income		316,120	577,171
Operating expenses		(118,518)	(119,901)
Impairment losses		(1,316,448)	(381,400)
Finance costs		<u>(1,276)</u>	<u>(1,899)</u>
(Loss)/profit before taxation	5	(1,120,122)	73,971
Income tax	6	<u>280,029</u>	<u>(18,986)</u>
(Loss)/profit and total comprehensive income for the year		<u>(840,093)</u>	<u>54,985</u>
(Loss)/earnings per share			
Basic and diluted (RMB)	7	<u>(0.3926)</u>	<u>0.0257</u>

STATEMENT OF FINANCIAL POSITION

(Express in thousands of Renminbi, unless otherwise stated)

		31 December 2021	31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Cash and deposits with central bank	8	487	5,025
Deposits with banks	9	255,403	90,396
Loans and advances to customers	10	2,439,894	5,751,275
Finance lease receivables	11	4,616	18,455
Bills receivable	12	175,548	—
Property and equipment	13	16,591	28,234
Intangible assets	14	7,417	11,337
Deferred tax assets		449,475	112,503
Other assets	15	26,340	251,537
Total assets		<u>3,375,771</u>	<u>6,268,762</u>
Liabilities			
Placements from banks	16	—	2,033,911
Guarantee deposits	17	3,649	30,299
Lease liabilities	18	13,582	23,372
Current taxation		26,398	18,379
Other liabilities	19	107,675	98,241
Total liabilities		<u>151,304</u>	<u>2,204,202</u>
NET ASSETS		<u>3,224,467</u>	<u>4,064,560</u>
CAPITAL AND RESERVES			
Share capital		2,139,651	2,139,651
Reserves	20(b)	1,084,816	1,924,909
TOTAL EQUITY		<u>3,224,467</u>	<u>4,064,560</u>

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Company:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these 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.

2 NET INTEREST INCOME

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Interest income arising from		
Loans and advances to customers	339,711	737,326
Deposits with central bank and other banks	2,939	2,796
Finance lease receivables	<u>1,168</u>	<u>3,230</u>
Sub-total	<u>343,818</u>	<u>743,352</u>
Interest expenses arising from		
Placements from banks	<u>(63,499)</u>	<u>(248,209)</u>
Sub-total	<u>(63,499)</u>	<u>(248,209)</u>
Net interest income	<u><u>280,319</u></u>	<u><u>495,143</u></u>

3 NET FEE AND COMMISSION INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fee and commission income arising from		
Joint loan services	30,924	48,505
Consulting services	221	12,901
Others	3,358	11,906
	<u>34,503</u>	<u>73,312</u>
Sub-total	<u>34,503</u>	<u>73,312</u>
Fee and commission expenses arising from		
Bank charges	(785)	(805)
	<u>(785)</u>	<u>(805)</u>
Sub-total	<u>(785)</u>	<u>(805)</u>
Net fee and commission income	<u>33,718</u>	<u>72,507</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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net exchange gains/(losses)	1,068	(995)
Government grants	3	12,164
Others	1,012	(1,648)
	<u>2,083</u>	<u>9,521</u>
Total	<u>2,083</u>	<u>9,521</u>

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

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Staff costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, bonuses and allowances	51,094	62,683
Other social welfare	6,121	6,418
Contributions to pension schemes	5,529	749
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Total	62,744	69,850
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(b) Impairment losses

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loans and advances to customers	1,191,733	369,426
Finance lease receivables	2,997	565
Bills receivable	75,235	—
Other assets	46,483	11,409
	<hr/>	<hr/>
Total	1,316,448	381,400
	<hr/> <hr/>	<hr/> <hr/>

(c) Other items

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation and amortisation		
— right-of-use assets	9,263	9,290
— intangible assets	4,463	5,536
— property and equipment	2,646	3,143
Legal consultancy	11,067	4,662
Services fee	6,716	5,915
Maintenance fees	4,977	2,116
Auditor's remuneration	3,600	3,800
Tax and surcharges	2,920	7,955
Travel expenses	1,552	1,851
Office expenses	1,304	942
Expense relating to short-term leases	135	320
Others	7,131	4,521
	<hr/>	<hr/>
Sub-total	55,774	50,051
Finance costs	1,276	1,899
	<hr/>	<hr/>
Total	57,050	51,950
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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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Provision for the year	57,086	76,780
Over-provision in respect of prior years	<u>(143)</u>	<u>(143)</u>
Sub-total	<u>56,943</u>	<u>76,637</u>
Deferred tax		
Origination of temporary differences	<u>(336,972)</u>	<u>(57,651)</u>
Total	<u>(280,029)</u>	<u>18,986</u>

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

7 (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company of loss of RMB840,093 thousands (2020: profit of RMB54,985 thousands) and the weighted average of 2,139,651 thousands ordinary shares (2020: 2,139,651 thousands ordinary shares) in issue during the year, which is set out as follows:

	2021	2020
(Loss)/profit attributable to ordinary equity shareholders of the Company (RMB'000)	(840,093)	54,985
Weighted average number of ordinary shares issued (in thousands)	2,139,651	2,139,651
Basic and diluted (loss)/earnings per share attributable to shareholders (RMB)	<u>(0.3926)</u>	<u>0.0257</u>

There were no dilutive potential ordinary shares for the year ended 31 December 2021 or 2020. Therefore, diluted (loss)/earnings per share are equivalent to basic (loss)/earnings per share.

8 CASH AND DEPOSITS WITH CENTRAL BANK

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deposits with central bank		
— Statutory deposit reserves	230	4,796
— Surplus deposit reserves	257	226
	<hr/>	<hr/>
Sub-total	487	5,022
Accrued interest	—	3
	<hr/>	<hr/>
Total	487	5,025
	<hr/> <hr/>	<hr/> <hr/>

9 DEPOSITS WITH BANKS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deposits with banks	255,317	90,379
Accrued interest	86	17
	<hr/>	<hr/>
Total	255,403	90,396
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10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Retail loans	1,516,458	3,563,067
Dealer's loans	2,581,294	2,581,294
	<hr/>	<hr/>
Gross loans and advances to customers	4,097,752	6,144,361
Accrued interest	4,226	58,581
	<hr/>	<hr/>
Sub-total	4,101,978	6,202,942
Less: Allowances for impairment losses	(1,662,084)	(451,667)
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Net loans and advances to customers	2,439,894	5,751,275
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As at 31 December 2021, the Company has pledged its retail loans amounting to nil as collateral to certain placements from banks to the Company (2020: RMB2.36 billion).

(b) Analysed by type of collateral

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Collateralized loans	1,516,458	3,563,067
Guaranteed loans	<u>2,581,294</u>	<u>2,581,294</u>
Gross loans and advances to customers	4,097,752	6,144,361
Accrued interest	4,226	58,581
Less: Allowances for impairment losses	<u>(1,662,084)</u>	<u>(451,667)</u>
Net loans and advances to customers	<u><u>2,439,894</u></u>	<u><u>5,751,275</u></u>

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

	31 December 2021				
	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>	Total <i>RMB'000</i>
Collateralized loans	13,722	32,511	26,927	2,608	75,768
Guaranteed loans	<u>—</u>	<u>2,067,611</u>	<u>513,683</u>	<u>—</u>	<u>2,581,294</u>
Total	<u><u>13,722</u></u>	<u><u>2,100,122</u></u>	<u><u>540,610</u></u>	<u><u>2,608</u></u>	<u><u>2,657,062</u></u>

	31 December 2020				
	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>	Total <i>RMB'000</i>
Collateralized loans	<u>33,337</u>	<u>8,282</u>	<u>7,545</u>	<u>1,520</u>	<u>50,684</u>

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.

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

	31 December 2021			Total <i>RMB'000</i>
	12-month ECL <i>RMB'000</i>	Lifetime ECL for not credit-impaired <i>RMB'000</i>	Lifetime ECL for credit-impaired <i>RMB'000</i>	
Gross loans and advances to customers (including accrued interest)	1,444,916	8,616	2,648,446	4,101,978
Less: Allowances for impairment losses	<u>(18,340)</u>	<u>(3,545)</u>	<u>(1,640,199)</u>	<u>(1,662,084)</u>
Net loans and advances to customers	<u>1,426,576</u>	<u>5,071</u>	<u>1,008,247</u>	<u>2,439,894</u>
	31 December 2020			
	12-month ECL <i>RMB'000</i>	Lifetime ECL for not credit-impaired <i>RMB'000</i>	Lifetime ECL for credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Gross loans and advances to customers (including accrued interest)	3,524,437	2,656,341	22,164	6,202,942
Less: Allowances for impairment losses	<u>(64,203)</u>	<u>(366,087)</u>	<u>(21,377)</u>	<u>(451,667)</u>
Net loans and advances to customers	<u>3,460,234</u>	<u>2,290,254</u>	<u>787</u>	<u>5,751,275</u>

11 FINANCE LEASE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Minimum finance lease receivables	13,527	25,687
Less: Unearned finance lease income	<u>(316)</u>	<u>(1,634)</u>
Present value of finance lease receivables	13,211	24,053
Less: Allowances for impairment losses	<u>(8,595)</u>	<u>(5,598)</u>
Total	<u>4,616</u>	<u>18,455</u>

12 BILLS RECEIVABLE

As of the end of the reporting period, the ageing analysis of commercial bills receivable is as follows:

	2021 RMB'000
Within 1 month (inclusive)	250,783
Less: Allowances for impairment losses	<u>(75,235)</u>
Total	<u><u>175,548</u></u>

13 PROPERTY AND EQUIPMENT

	Electronic equipment RMB'000	Office furniture RMB'000	Improvement to leasehold property RMB'000	Properties leased for own use carried at cost RMB'000	Total RMB'000
Cost:					
At 1 January 2020	4,085	1,082	14,427	49,304	68,898
Additions	289	—	1	—	290
Disposals	<u>(7)</u>	<u>—</u>	<u>—</u>	<u>(13,092)</u>	<u>(13,099)</u>
At 31 December 2020	4,367	1,082	14,428	36,212	56,089
Additions	137	—	138	—	275
Disposals	<u>(24)</u>	<u>(22)</u>	<u>—</u>	<u>—</u>	<u>(46)</u>
At 31 December 2021	<u>4,480</u>	<u>1,060</u>	<u>14,566</u>	<u>36,212</u>	<u>56,318</u>
Accumulated depreciation:					
At 1 January 2020	(2,176)	(756)	(6,207)	(19,227)	(28,366)
Charge for the year	(691)	(122)	(2,330)	(9,290)	(12,433)
Disposals	<u>3</u>	<u>—</u>	<u>—</u>	<u>12,941</u>	<u>12,944</u>
At 31 December 2020	(2,864)	(878)	(8,537)	(15,576)	(27,855)
Charge for the year	(530)	(51)	(2,065)	(9,263)	(11,909)
Disposals	<u>17</u>	<u>20</u>	<u>—</u>	<u>—</u>	<u>37</u>
At 31 December 2021	<u>(3,377)</u>	<u>(909)</u>	<u>(10,602)</u>	<u>(24,839)</u>	<u>(39,727)</u>
Net book value:					
At 31 December 2021	<u><u>1,103</u></u>	<u><u>151</u></u>	<u><u>3,964</u></u>	<u><u>11,373</u></u>	<u><u>16,591</u></u>
At 31 December 2020	<u><u>1,503</u></u>	<u><u>204</u></u>	<u><u>5,891</u></u>	<u><u>20,636</u></u>	<u><u>28,234</u></u>

14 INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2020	37,828
Additions	<u>361</u>
At 31 December 2020	38,189
Additions	<u>543</u>
At 31 December 2021	<u>38,732</u>
Accumulated amortisation:	
At 1 January 2020	(21,316)
Charge for the year	<u>(5,536)</u>
At 31 December 2020	(26,852)
Charge for the year	<u>(4,463)</u>
At 31 December 2021	<u>(31,315)</u>
Net book value:	
At 31 December 2021	<u><u>7,417</u></u>
At 31 December 2020	<u><u>11,337</u></u>

15 OTHER ASSETS

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Interest receivables		12,407	5,154
Other receivables	(a)	6,143	225,064
Deductible value-added tax		3,971	—
Prepayments		3,819	19,997
Others		<u>—</u>	<u>1,322</u>
Total		<u><u>26,340</u></u>	<u><u>251,537</u></u>

(a) Other receivables

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Commission receivables of joint loans	3,074	4,872
Deposits	3,069	3,413
Receivables from dealers controlled by ZhengTong due to third-party loans cancellation	—	228,188
Less: Allowances for impairment losses	—	(11,409)
Total	6,143	225,064

16 PLACEMENTS FROM BANKS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Placements from banks		
— secured	—	1,333,000
— unsecured	—	689,776
Accrued interest	—	11,135
Total	—	2,033,911

17 GUARANTEE DEPOSITS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deposits provided by dealers for retail business	2,428	4,566
Deposits from finance lease clients	1,221	5,995
Deposits provided by dealers for dealer's loans	—	19,738
Total	3,649	30,299

18 LEASE LIABILITIES

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

	31 December 2021		31 December 2020	
	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)	<u>9,370</u>	<u>9,975</u>	<u>10,628</u>	<u>11,017</u>
After 1 year but within 2 years (inclusive)	4,212	4,332	9,066	10,023
After 2 years but within 3 years (inclusive)	<u>—</u>	<u>—</u>	<u>3,678</u>	<u>4,332</u>
	<u>4,212</u>	<u>4,332</u>	<u>12,744</u>	<u>14,355</u>
	<u>13,582</u>	<u>14,307</u>	<u>23,372</u>	<u>25,372</u>
Less: total future interest expenses		<u>(725)</u>		<u>(2,000)</u>
Present value of lease liabilities		<u>13,582</u>		<u>23,372</u>

19 OTHER LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other payables	105,755	96,550
Advance receipts	<u>1,920</u>	<u>1,691</u>
Total	<u>107,675</u>	<u>98,241</u>

20 CAPITAL AND RESERVES

(a) Dividends

No dividend was declared or paid to equity shareholders of the Company attributable to the year ended 31 December 2021 (the year ended 31 December 2020: Nil).

(b) Nature and purpose of reserves

(i) *Surplus reserve*

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

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

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

(ii) *General risk reserve*

Pursuant to "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance of the PRC, 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 2021 amounted to RMB156,047 thousands (31 December 2020: RMB156,047 thousands), which has reached the requirement.

(c) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability of sustainable development, 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 accompanied by higher risk levels of borrowings and the advantages and stability resulted from a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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

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

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

(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 (as at 31 December 2020: Nil).

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Termination of the discussions on the potential disposal of the Company's shares by ZhengTong

The Company announced on 8 February 2022, among other things that, as informed by ZhengTong that in view of the ruling of the Shanghai Financial Court to carry out compulsory auction of the equity interests in the Company held by ZhengTong, the discussions between ZhengTong and the potential purchaser in relation to the potential disposal have been terminated.

24 COMPARATIVE FIGURES

For disclosure purpose of the financial statements, the Company made reclassification adjustments to some comparative figures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Faced with multiple challenges including the complex and changing domestic and foreign situations, and under the impact of the chip shortage and the cost increase of raw materials, automobile industry in the PRC achieved gradual recovery in 2021. Despite the unfavorable industry sentiment and relatively low comparative figures due to the outbreak of the COVID-19 pandemic in 2020, according to the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles in China in 2021 increased by only 7.1% and 6.5%, respectively and had not resumed the level prior to the pandemic. Moreover, large automobile dealers are essentially the first to benefit from the recovery of the industry, while medium and small-sized automobile dealers are still operating in a relatively difficult environment.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the CBIRC. As at 31 December 2021, there are 25 (31 December 2020: 25) licensed automotive finance companies in China, all of which are in competition with commercial banks, financial leasing companies and internet finance companies. Automotive finance companies, being in close relationship with automobile manufacturers and dealers, deliver enhanced product offerings and better services to customers. The Company also leveraged on its advantages as a licensed institution through multiple channels such as internal financial resources, inter-bank lending, banking facilities as well as active cooperation with major banks to launch joint loan products, so as to allocate asset based on market conditions and risk assessment.

During the year, the Company has timely adjusted its operating principles in accordance with the economic and industry situations and circumstances of the Company: first, at the requirement of the CBIRC Shanghai Office, the Company suspended the dealer's loan business, and focused its resources on the development of the retail loan business. In 2021, the number and amount of retail loans disbursed by the Company increased significantly of which the amount of retail loans disbursed reached RMB957 million, representing an increase of 87% as compared with RMB512 million for the last year; second, in response to the fluctuation of the overall domestic credit environment, the Company relieved its liquidity pressure by fully repaying the placements from bank at the end of the year, where the balance of the placement decreased to nil from RMB2 billion at the end of the 2020; third, in response to the negative impact on repayment ability of certain customers of the Company, the Company increased the efforts on technology to enhance risk control requirements including process management, collection policies, merchant rating and channel management in order to preserve its asset quality and enhance capabilities of risk management and control.

During the year, the Company's partnership-based dealer network covered more than 200 cities in China. As at 31 December 2021, the Company has 930 (2020: 962) partnership-based dealers in total. Furthermore, by focusing on sales to middle and high-end brands, these sales channels keep abreast with customers base of consumption upgrade demographic. The strengths of the sales network and reasonably established market presence enable the Company to introduce good customer experience and services to the consumers.

The Company's loan portfolio decreased by 58% to RMB2.44 billion as at 31 December 2021 from RMB5.75 billion as at 31 December 2020. For the year ended 31 December 2021, the Company's net interest income amounted to RMB280 million, representing a decrease of 43% as compared to 2020. The Company's operating income amounted to RMB316 million in 2021, representing a decrease of 45% as compared to last year. The Company recorded a net loss of RMB840 million in 2021 as compared to a net profit of RMB55 million in 2020. The net loss was mainly due to the following reasons: (i) there is an increase in overdue loans from the Company's dealers customers which may be attributable to (1) the impact of COVID-19 pandemic where car dealers were facing difficult operating environment; and (2) the aggregate amount (inclusive of interest receivables) due from ZhengTong (the controlling Shareholder and the largest customer of the Company) and its dealers, of approximately RMB1.7 billion as at 31 December 2021. As disclosed in the announcements of the Company dated 7 December 2020 and 8 February 2022, the CBIRC Shanghai Office and Shanghai Financial Court of the PRC issued the Administrative Decision and the Relevant Rulings (as defined below) respectively, which ruled that the equity interests in the Company held by ZhengTong be liquidated through auction. As at the date of this announcement, the auction is still in progress, and the amount due from ZhengTong and its dealers remains outstanding. In view of the above, the Company increased allowances for the impairment losses relating to its loans and advances to customers and bills receivable etc. by approximately RMB935 million as compared to the year 2020; and (ii) based on the assessment of the economic situation and credit risks, as well as to maintain financial stability of the Company, the Company has been gradually reducing the loan portfolio and, at the same time, repaid all of its outstanding placement from bank during the year, leading to a decrease in net interest income of approximately RMB215 million for the year ended 31 December 2021 as compared to the year 2020.

In response to the adverse business environment as a result of the COVID-19 pandemic, the Company has adopted measures to optimise cost, monitor and demand for repayments from its customers. The Company has taken actions to strengthen its loan collections and to protect the interests of the Company by adopting asset preservation measures on relevant customers, including the issue of debt collection letter, on-site reminder, legal action etc. The Board will continue to take active steps to monitor the development of the COVID-19 pandemic and is putting appropriate cost and risk management measures in place during this difficult period while still preserving and building its capabilities for the future.

In terms of retail loans, the Company disbursed a total of 8,735 retail loans throughout 2021, representing an increase of 132% over that of 2020, and the loan amount was RMB957 million, representing an increase of 87% as compared with 2020. The increase were mainly due to the Company focusing its resources on the development of retail loan business, and the relatively low corresponding figures of 2020 which was the most severe period amid the domestic pandemic.

In terms of dealer's loan business, no loan was disbursed during 2021 due to the suspension of the dealer's loan business by the Company. As of 31 December 2021, the loan balance was RMB2.581 billion, which remained stable as compared to that at the end of 2020.

	As at/For the year ended	
	31 December	
	2021	2020
Amount of retail loans disbursed (<i>RMB million</i>)	957	512
Number of self-operated retail loan disbursed	8,735	3,760
Including: Standard self-operated loans	3,080	1,694
Joint loans	5,655	2,066
Gross outstanding loan balance (<i>RMB million</i>)	4,097.75	6,144.36
Including: Retail loans	1,516.46	3,563.07
Dealer's loans	2,581.29	2,581.29

For the purposes of risk management, the Company has strengthened its risk management and control capacity with focuses on risk policies, big data risk control, risk monitoring and asset preservation. The Company classified loans and advances to customers in accordance with the Guideline for Risk-based Loan Classification (《貸款風險分類指引》) issued by CBIRC and the HKFRS 9 Expected Credit Loss Model, based on cautious assessments of its customers' conditions including repayment history, overdue status, repayment capabilities, repayment intention and implementation status of credit enhancement measures of the relevant customers. As of 31 December 2021, the Company's nonperforming loan balance was RMB1.208 billion (2020: RMB22 million), whereby the nonperforming loan ratio was 29.49% (2020: 0.36%). During the year, the Company's risk management focused on (1) continuously optimizing risk policies and management and control strategies, strengthening overall risk monitoring system including assets quality, risk cost, channel grading, risk investigation and post-loan review to better control the risk of non-performing loans for the newly disbursed loans; (2) introducing multi-dimensional external anti-fraud data and applying statistics principle and machine learning algorithms to optimize the big data risk control model and enhance the ability of automated approval system to identify fraud risk and credit risk for retail customers; (3) further strengthening the dynamic assessment of the risk status of dealers and enhancing the ability to dynamically identify, assess and monitor the credit level of borrowers and continuing to enhance post-loan management and asset preservation for remaining loans.

	As at 31 December	
	2021	2020
Non-performing loan (NPL) ratio (60+)	29.49%	0.36%
Loan provision rate	40.56%	7.35%
Provision coverage ratio*	137.54%	2,037.81%

* According to the Administrative Measures for the Loan Loss Reserves of Commercial Banks (Order No.4 2011 of the China Banking Regulatory Commission, “Administrative Measures for the Loan Loss Reserves”) (《商業銀行貸款損失準備管理辦法》(中國銀行業監督管理委員會令2011年第4號)), the Company, as a banking financial institution, is required to make provision under the Administrative Measures for the Loan Loss Reserves, i.e. the provision coverage ratio shall reach the basic standard of 150%. In accordance with the requirement under the Administrative Measures for the Loan Loss Reserves, the Company’s allowances for impairment losses for loans would be increased by approximately RMB0.15 billion.

Enforcement of Administrative Decision and Termination of the Discussions on the Potential Disposal

On 20 October 2020, the Company received the administrative decisions (the “Decisions”) by the CBIRC Shanghai Office which stated that (i) the dealer auto loan business of the Company was carried out in serious violation of principle of prudent operation; (ii) ZhengTong obtained approval for the establishment of the Company by improper means; and (iii) ZhengTong and its related parties engaged in non-compliant related party transactions with the Company. According to the Decisions, the administrative approvals in respect of agreeing the capital contribution and capital increase by the controlling Shareholder have been revoked; the Company shall withdraw the equity interests in the Company held by ZhengTong, restrict the relevant shareholder’s rights of ZhengTong; and the controlling Shareholder’s benefits based on the revoked administrative approvals would not be protected. In addition, the CBIRC Shanghai Office ordered the Company to suspend the operation of the dealer auto loan business, imposed a fine of RMB2 million on the Company and issued a warning to Mr. Li Yi, the president of the Company. Since receiving the Decisions, the Company has conducted review and assessment towards dealer’s loan business, retail loan business and related party transactions and formulated a working plan to rectify and implement the requirements set out in the Decisions. Details have been disclosed in the Company’s announcement dated 7 December 2020. Regarding the withdrawal of Shareholder, the Company announced on 3 February 2021 that, as informed by ZhengTong, ZhengTong was in discussion with an independent potential purchaser (the “Potential Purchaser”) regarding, amongst others, a potential disposal of the shares of the Company (the “Potential Disposal”). On 29 January 2022, the Company was informed by ZhengTong that on 29 January 2022, ZhengTong received a ruling on administrative proceeding and a notice of property preservation (collectively, the “Relevant Rulings”) issued by Shanghai Financial Court of the PRC. According to the Relevant Rulings, a collegial panel constituted by the Shanghai Financial Court has completed its examination and ruled that: (i) the Administrative Decision of CBIRC Shanghai Office (Hu Yin Bao Jian

Tong [2020] No. 41) (the “Administrative Decision”) be enforced, whereby ZhengTong’s equity interests in the Company be liquidated through auction; and (ii) a preservation ruling (the “Freezing Ruling”) be imposed over ZhengTong’s equity interests in the Company, being 1.52 billion unlisted shares in the Company and any dividends held in the Company for a period between 26 January 2022 and 25 January 2025 (the “Freezing Period”).

In addition, the Company received a notice of assistance in enforcement ((2022) Hu 74 Cai Bao No. 1) issued by Shanghai Financial Court of the PRC on 30 January 2022 (the “Notice of Assistance in Enforcement”), which stated that the Company is required to assist in enforcing the following matters: (a) before the Company implements any capital increase, capital reduction, merger, demerger, etc. that will have a significant impact on the proportion of the shares held by ZhengTong in the Company that are the subject of the Freezing Ruling and the value thereof, the Company shall report the relevant information to Shanghai Financial Court of the PRC; and (b) preservation of any dividends, bonuses and other proceeds which may be payable by the Company to ZhengTong, and the Company shall notify Shanghai Financial Court of the PRC when such proceeds are due. The preservation period shall be three years from the receipt of the Notice of Assistance in Enforcement. Any direct payment or payment in other forms made by the Company to ZhengTong after the imposition of the Freezing Ruling shall not affect Shanghai Financial Court’s claim against the Company for such payment. The Company will comply with the Notice of Assistance in Enforcement in accordance with applicable laws and regulations, including preservation of any dividends, bonuses and other proceeds to ZhengTong. The Company will seek PRC legal advice and consult Shanghai Financial Court of the PRC on the applicability and interpretation of the Notice of Assistance in Enforcement as and when required.

The Company has complied with and will continue to comply with the Administrative Decision throughout the Freezing Period, whereby the Company will restrict the relevant shareholder’s rights of ZhengTong, including the right to request for a general meeting, the voting rights, the nomination rights, the proposal rights, the disposal rights, and rights to dividend. The auction will be conducted in accordance with the relevant rules and procedures in the PRC. The Company was further informed that Shanghai Financial Court of the PRC has issued a certificate of appointment ((2022) Hu 74 Wei Jian No.24), pursuant to which a valuer has been appointed to perform a valuation in respect of ZhengTong’s equity interests in the Company, being 1.52 billion unlisted shares of the Company. As at the date of this announcement, the Company has not been informed of the details of the auction, including the timing of the auction. The Company will make further announcement(s) in relation to the auction when it receives further information from the Shanghai Financial Court, the CBIRC Shanghai Office, and/or ZhengTong. There is no assurance that the auction will proceed.

In view of the above, the Company was informed by ZhengTong that ZhengTong has terminated the discussion with the Potential Purchaser on the Potential Disposal. For details, please refer to the announcements of the Company dated 8 February 2022 and 8 March 2022.

FINANCIAL REVIEW

Net Interest Income

The Company's net interest income decreased by 43.4% to approximately RMB280 million in 2021 from approximately RMB495 million in 2020.

Set out below are the comparative figures for the year ended 31 December 2021 and 2020.

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Interest income		
Loans and advances to customers	339,711	737,326
Deposits with central bank and other banks	2,939	2,796
Finance lease receivables	1,168	3,230
	<u>343,818</u>	<u>743,352</u>
Interest expenses		
Placements from banks	<u>(63,499)</u>	<u>(248,209)</u>
	<u>(63,499)</u>	<u>(248,209)</u>
Net interest income	<u><u>280,319</u></u>	<u><u>495,143</u></u>

1. Interest income: For the year ended 31 December 2021, the Company recorded an interest income of approximately RMB344 million, representing a decrease of 53.7% as compared to approximately RMB743 million in the same period of 2020. The decrease in interest income was mainly due to the decrease in loan size. Net interest margin decreased from 5.85% in 2020 to 5.30% in 2021.

2. Interest expenses: Interest expenses of the Company decreased from approximately RMB248 million in 2020 to approximately RMB63 million in 2021, which was mainly due to the decrease in borrowings resulting from the reduction in loan portfolio. As at 31 December 2021, the placements from bank have been fully repaid by the Company, with nil balance of placements from bank (2020: RMB2.03 billion). For the year ended 31 December 2021, the average cost of interest-bearing liabilities was 6.39% (2020: 6.09%).

	For the year ended	
	31 December	
	2021	2020
	%	%
Average cost of interest-bearing liabilities	6.39	6.09
Average cost of additional new interest-bearing liabilities	6.45	6.13

Non-interest Income

1. Net fee and commission income: Net fee and commission income of the Company for 2021 was approximately RMB34 million. Set forth below is a detailed breakdown:

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Fee and commission income		
Consulting services	221	12,901
Joint loan services	30,924	48,505
Others	3,358	11,906
	<u>34,503</u>	<u>73,312</u>
Sub-total	34,503	73,312
Fee and commission expenses		
Bank charges	(785)	(805)
	<u>(785)</u>	<u>(805)</u>
Sub-total	(785)	(805)
Net fee and commission income	<u>33,718</u>	<u>72,507</u>

The Company's net fee and commission income in 2021 amounted to approximately RMB34 million, representing a decrease of 53.5% as compared to that in 2020. The decrease in related income was mainly due to the fact that the Company focused on the development of joint loan business during the year, and reduced referral of customers to other financial institutions, as well as the decrease in the Company's loan size.

2. Other net income: In 2021, the Company's other net income amounted to approximately RMB2 million (2020: RMB10 million).

Operating Expenses

The operating expenses of the Company comprise staff costs, depreciation and amortization etc.. For the year ended 31 December 2021, the Company's operating expenses amounted to approximately RMB119 million in aggregate, representing a decrease of RMB1 million as compared to approximately RMB120 million for the same period of 2020.

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 2021, the total impairment loss amounted to approximately RMB1.32 billion (2020: RMB0.38 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. Based on the Company's cautious assessment including (1) the impact of COVID-19 pandemic where car dealers were facing difficult operating environment; and (2) the amount due from ZhengTong and its dealers, which led to overdue principal and interest, certain loans and receivables amounting to approximately RMB2.98 billion is considered overdue and credit-impaired and should be classified as the third loss stage under the HKFRS 9 Expected Credit Loss Model. As the provision ratio for third loss stage is higher than that for the first loss stage, the

Company applied a higher overall provision ratio on the loans and receivables balances as at 31 December 2021 and recorded an increase in allowances for impairment losses. For further details, please refer to the table set out below:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	1,191,733	369,426
Finance lease receivables	2,997	565
Bills receivable	75,235	—
Other assets	46,483	11,409
	<u>1,316,448</u>	<u>381,400</u>
Total	<u>1,316,448</u>	<u>381,400</u>

Net Loss

For the year ended 31 December 2021, the Company recorded a net loss of approximately RMB840 million as compared to a net profit of the Company of approximately RMB55 million in 2020.

Cash and Deposits with Central Bank

As at 31 December 2021, the Company's cash and deposits with central bank amounted to approximately RMB0.5 million (2020: RMB5 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 deposited the statutory deposit reserves.

Deposits with Banks

As at 31 December 2021, deposits with banks amounted to approximately RMB255 million, representing a increase of 182.5% as compared to approximately RMB90 million as at 31 December 2020, which was mainly attributable to the loan repayments received by the Company from customers.

Loans and Advances to Customers

As of 31 December 2021, net loans and advances to customers amounted to approximately RMB2.44 billion, representing a decrease of 57.6% as compared to approximately RMB5.75 billion at the end of 2020. The Company's loan business mainly consists of auto loan business, among which, the gross balance of retail loans amounted to approximately RMB1.52 billion, representing a decrease of 57.4% as compared to approximately RMB3.56 billion at the end of 2020, while the gross balance of dealer's loans amounted to approximately RMB2.58 billion, remaining constant as compared to approximately RMB2.58 billion as at 31 December 2020.

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Retail loans	1,516,458	3,563,067
Dealer's loans	2,581,294	2,581,294
Gross loans and advances to customers	4,097,752	6,144,361
Accrued interest	4,226	58,581
Less: Allowances for impairment loss	(1,662,084)	(451,667)
Net loans and advances to customers	2,439,894	5,751,275

Placements from Banks

The placements from bank have been fully repaid by the Company with a nil balance of placements from bank as at 31 December 2021 (2020: RMB2.03 billion). The decrease was in line with the decrease in loan size.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements are mainly satisfied by share capital, placements from commercial banks and proceeds from loan products and services, which provided strong financial support to the Company's loans business. As at 31 December 2021, the Company's deposits with banks amounted to approximately RMB255 million, representing an increase of 182.5% as compared to approximately RMB90 million as at the end of 2020. There was no balance of placements from banks (2020: RMB 2.03 billion).

The Company's capital adequacy ratio increased from 59.37% as at 31 December 2020 to 68.37% as at 31 December 2021.

	As at 31 December	
	2021	2020
Core tier-one capital adequacy ratio	67.42%	58.38%
Tier-one capital adequacy ratio	67.42%	58.38%
Capital adequacy ratio	68.37%	59.37%
Liquidity ratio	2,143.02%	88.58%
Gearing ratio	4.48%	35.16%

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

FOREIGN EXCHANGE RISK

As the Company's business is primarily operated in mainland China and settled in Renminbi, there are no material foreign exchange risks. As at 31 December 2021, the Company had certain deposits with banks and other liabilities denominated in foreign currencies with a net amount of approximately RMB36.3 million. The foreign exchange risk is considered to be low.

MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the year ended 31 December 2021, there was no material acquisition and disposal of the Company's material assets.

SIGNIFICANT INVESTMENT

As at 31 December 2021, the Company did not hold any significant investment in equity interest in any company.

CHARGES ON ASSETS

As at 31 December 2021, there were no charges on the Company's assets (2020: RMB2,357.21 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Company did not have any plans for material investments and capital assets.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2021, the Company had 174 employees in total, and most of the employees were located in the PRC. The Company has a team of highly educated and talented individuals. As at 31 December 2021, approximately 96% of the Company's employees hold a bachelor's degree or above, and 20% hold a master's degree or above. In 2021, total staff costs of the Company amounted to approximately RMB63 million (2020: RMB70 million).

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

SIGNIFICANT LITIGATION AND ARBITRATION

During the year ended 31 December 2021, 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 2021.

CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

Facing the slowdown in growth of the domestic automobile industry and the trend of the complicated and ever-changing international landscape, the Company will provide more flexible, diverse, and innovative financial services by closely observing the market situation. The Company will promote its business with the use of financial technologies as well as under risk control to support the development of the real economy of the automobile industry. In 2022, the Company plans to mainly implement the following measures:

Firstly, it will fully cope with the decision of the regulatory authority on the liquidation of equity interests by the controlling Shareholder, facilitate a smooth handover between the incoming and outgoing Shareholders, strengthen the internal control system and further optimize the Company's corporate governance system to steadily promote the business transformation of the Company.

Secondly, it will make further dedication to the business of manufacturers and improve market penetration rate. It will strengthen the motivation of channel cooperation through professional training and in-store counseling, etc. Particularly, in the face of the rising trend of new energy vehicles, the Company will extensively explore cooperation opportunities with relevant car brands and seek financing opportunities along the new energy vehicle industry chain in order to provide for new business growth brought about by the upgrading of the consumer industry in the future. Upon the completion of liquidation of equity interest by the controlling Shareholder, the Company will fully leverage on the advantages in terms of financing as a financial institution and implement multi-channel financing strategies to improve the loan scale and the quality of financial services.

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

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil).

No interim dividend has been declared by the Company in 2021 (2020: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own code of conduct regarding securities transaction by the Directors and the Supervisors on terms no less exacting than the required standard in the Model Code. The Company has made specific enquiries to all the Directors and Supervisors and they have confirmed that each of them has complied with the above-mentioned code for the year ended 31 December 2021.

CORPORATE GOVERNANCE

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

For the year ended 31 December 2021, the Company has complied with all code provisions of the Corporate Governance Code.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the sub-section headed “Enforcement of Administrative Decision and Termination of the Discussions on the Potential Disposal” in the “Management Discussion and Analysis” section of this announcement, the Board is not aware of any significant and important events requiring disclosure that have taken place subsequent to 31 December 2021 and up to the date of this announcement.

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

During the year ended 31 December 2021, the Company did not purchase, sell or redeem any of the Company’s listed securities.

REVIEW OF ACCOUNTS

As at the date of this announcement, the audit committee of the Board (the “Audit Committee”) comprises two independent non-executive Directors, namely Mr. Wong Man Chung Francis (chairman) and Ms. Liang Yanjun. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2021. 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.

The financial figures in respect of the Company’s statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 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.

Following the resignation of Mr. Lin Zheyang as an independent non-executive Director on 30 June 2020, the Company has been actively identifying suitable candidate(s) with a view to fill the vacancies on the Board and the Audit Committee as soon as practicable. As approved by the Shareholders during the annual general meeting of the Company held on 26 May 2021, Professor Qin Zheng (“Professor Qin”) was elected as an independent non-executive Director. The appointment of Professor Qin as an independent non-executive Director is subject to the approval by the CBIRC on his qualification as the Director. The term of office of Professor Qin will commence from the date of approval by the CBIRC and end on the expiring of the second session of the Board. The Company is endeavoring to complete the appointment process.

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 2021 will be published on the aforesaid websites and despatched to the Shareholders in due course.

APPRECIATION

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

DEFINITIONS

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

“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Shanghai Office”	Shanghai Office of the CBIRC
“Company”	Shanghai Dongzheng Automotive Finance Co., Ltd*. (上海東正汽車金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Stock Exchange (stock code: 2718)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
“H Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and held by persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange

“ZhengTong” China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a controlling shareholder of the Company, a company incorporated on 9 July 2010 as an exempted company with limited liability under the laws of the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange (stock code: 1728)

“%” per cent

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

Shanghai, 29 March 2022

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

* *For identification purposes only*