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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF FINANCIAL SERVICES AGREEMENT

FINANCIAL SERVICES AGREEMENT

On 19 May 2023, the Company and SAIC Finance entered into the Financial Services Agreement, pursuant to which SAIC Finance agreed to provide certain deposit services to the Company in accordance with the terms and conditions provided therein for a term of three years. SAIC Finance is a non-banking financial institution established with the approval of the CBIRC.

THE LISTING RULES IMPLICATIONS

As at the date of this announcement, SAIC Motor is a controlling shareholder of the Company holding 1,912,248,601 Shares (including 392,248,601 H Shares and 1,520,000,000 Unlisted Foreign Shares) which represents in aggregate approximately 89.37% of all the issued Shares. As SAIC Finance is a wholly-owned subsidiary of SAIC Motor, SAIC Finance is an associate of SAIC Motor and therefore a connected person of the Company under the Listing Rules. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Annual Caps exceed 5%, the continuing connected transactions contemplated under the Financial Services Agreement are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Annual Caps exceed 25%, the transactions contemplated under the Financial Services Agreement are subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders in respect of the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

The Company has appointed Goldlink Capital (Corporate Finance) Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

GENERAL

A circular containing, inter alia, (i) further details of the Financial Services Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the terms of the continuing connected transactions; (iii) a letter of advice from the Independent Financial Adviser in relation to the continuing connected transactions; (iv) other information as required under the Listing Rules; and (v) a notice of the general meeting, will be despatched to the Shareholders on or before 12 June 2023.

I. INTRODUCTION

On 19 May 2023, the Company and SAIC Finance entered into the Financial Services Agreement, pursuant to which SAIC Finance agreed to provide certain deposit services to the Company in accordance with the terms and conditions provided therein for a term of three years. SAIC Finance is a non-banking financial institution established with the approval of the CBIRC.

II. FINANCIAL SERVICES AGREEMENT

Date: 19 May 2023

Parties: (1) the Company; and
(2) SAIC Finance.

The Company engages the financial services of SAIC Finance on a voluntary and non-exclusive basis, and the Company is not under any obligations to engage SAIC Motor for any particular financial service. The Company has the right to decide whether it requires and accepts the financial services to be provided by SAIC Finance, and to choose the financial institution at its discretion to engage the financial services, with reference to its own business needs.

Effective date and term

The Financial Services Agreement shall become effective upon its signing and obtaining the necessary approvals in relation to the transactions contemplated under the Financial Services Agreement and the Proposed Annual Caps in accordance with the Listing Rules (the “**Conditions**”). The term of the Financial Services Agreement shall commence on the later of (i) the date of fulfillment of the Conditions; and (ii) 1 July 2023, and shall end on 30 June 2026. The Financial Services Agreement can be extended on a mutually agreed basis (subject to compliance with Listing Rules requirement).

Deposit services

SAIC Finance shall provide certain deposit services to the Company, the principal terms of which are as follows:

- (a) the form of deposit can be current deposit, time deposit or other deposit services as agreed by the Company and SAIC Finance from time to time;
- (b) the interest rate for the deposit of the Company’s funds with SAIC Finance, subject to the compliance of the relevant requirements of the People’s Bank of China, shall make reference to the relevant market interest rates and fee standards (i.e. the interest rates and fee standards determined by other commercial banks which are independent third parties in providing the same type of financial services in the same or nearby locations under normal commercial terms in their daily operations) and be determined in accordance with the principles of fairness and reasonableness and industry self-discipline requirements; and
- (c) the maximum daily balance (including interests) of the Company’s deposits with SAIC Finance shall not exceed the following caps for each of the three years ending 30 June 2026 (the “**Proposed Annual Caps**”):

| | From 1 July 2023 to 30 June 2024 (RMB billion) | From 1 July 2024 to 30 June 2025 (RMB billion) | From 1 July 2025 to 30 June 2026 (RMB billion) |
|-------------------------|---|---|---|
| Proposed Annual Caps | 3 | 3 | 3 |

Other than the deposit services, SAIC Finance does not provide other services to the Company under the Financial Services Agreement.

III. HISTORICAL TRANSACTION AMOUNT AND PROPOSED ANNUAL CAPS

The Company did not deposit any funds with SAIC Finance during each of the 12 months ended 31 December 2021 and 31 December 2022, and since 1 January 2023 until the date of this announcement.

The Board, having considered (i) the historical cash position of the Company, in particular the cash position of the Company of approximately RMB2.9 billion as at 31 December 2022; (ii) the expected growth of the business operations of the Company; and (iii) the expected amount of interest income to be generated from the deposits with SAIC Finance, proposed that the maximum daily deposit balance (including interests) of the aggregated deposits placed by the Company with SAIC Finance pursuant to the Financial Services Agreement shall not exceed the Proposed Annual Caps:

| | From 1 July 2023 to 30 June 2024 <i>(RMB billion)</i> | From 1 July 2024 to 30 June 2025 <i>(RMB billion)</i> | From 1 July 2025 to 30 June 2026 <i>(RMB billion)</i> |
|----------------------|---|---|---|
| Proposed Annual Caps | 3 | 3 | 3 |

The Directors (excluding the independent non-executive Directors who will give their opinion after considering the advice of the Independent Financial Adviser) consider that the above Proposed Annual Caps are fair and reasonable and on normal commercial terms.

IV. INTERNAL CONTROL PROCEDURES

To secure the Shareholders' interests, SAIC Finance has given certain undertakings to the Company and the Company has adopted certain internal control procedures, pursuant to which:

1. SAIC Finance shall comply with the applicable regulatory requirements imposed by CBIRC;
2. in relation to any changes in the business scope of SAIC Finance that requires approval from the CBIRC, SAIC Finance shall notify the Company in writing within two business days from the date of the relevant approval of the CBIRC;
3. SAIC Finance shall ensure that its financial services provided to the Company are approved by the relevant laws and are in strict compliance with the requirements of the relevant PRC financial laws and regulations, SAIC Finance shall also provide copies of all relevant approvals or permits to the Company; and

4. SAIC Finance shall forthwith notify the Company within two business days and take necessary mitigation measures upon the occurrence of circumstances that may cause harm to the security of the Company's deposits or circumstances that may jeopardise the security of the Company's deposits.

The Board considers that the above undertakings given by SAIC Finance and internal control procedures adopted by the Company in respect of the transactions contemplated under the Financial Services Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transactions under the Financial Services Agreement will be appropriately monitored by the Company.

V. REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES AGREEMENT

The major reasons for the Company to enter into the Financial Services Agreement with SAIC Finance are as follows:

1. the interest rates and fee standards offered by SAIC Finance for the deposit services is determined in accordance with the principles of fairness and reasonableness, industry self-discipline requirements and after considering the relevant market interest rates and fee standards;
2. SAIC Finance is a wholly-owned subsidiary of SAIC Motor and a non-banking financial institution established with the approval of the CBIRC. The activities of SAIC Finance are regulated by the CBIRC and SAIC Finance provides services within its approved scope in accordance with its operational requirements. As set out in the paragraph headed "*Internal control procedures*" above, SAIC Finance has given undertakings, and the Company has adopted internal control procedures, to ensure the safety of the Company's funds that will be deposited with SAIC Finance; and
3. the transactions under the Financial Services Agreement shall facilitate the Company to increase the efficiency of fund utilisation with low financial risks.

The Directors (excluding the independent non-executive Directors who will give their opinion after considering the advice of the Independent Financial Adviser) consider that the Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms. The terms of the Financial Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ms. Xu Ying, Dr. Zhou Qi and Ms. Lin Weihua have abstained from voting on the relevant Board resolutions approving the Financial Services Agreement and the transactions contemplated thereunder in view of their respective positions in the SAIC Motor Group. Save as disclosed, none of the Directors has a material interest in such transactions and is required to abstain from voting.

VI. LISTING RULES IMPLICATIONS

As at the date of this announcement, SAIC Motor is a controlling shareholder of the Company holding 1,912,248,601 Shares (including 392,248,601 H Shares and 1,520,000,000 Unlisted Foreign Shares) which represents in aggregate approximately 89.37% of all the issued Shares. As SAIC Finance is a wholly-owned subsidiary of SAIC Motor, SAIC Finance is an associate of SAIC Motor and therefore a connected person of the Company under the Listing Rules. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Annual Caps exceed 5%, the continuing connected transactions contemplated under the Financial Services Agreement are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Annual Caps exceed 25%, the transactions contemplated under the Financial Services Agreement are subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

VII. INFORMATION OF THE PARTIES

The Company

The Company is a joint stock company incorporated in the PRC with limited liability, the H shares of the Company are listed on the Stock Exchange. The Company is an auto finance company licensed and regulated by the CBIRC. The Company's principal business comprises automotive loan business where it provides loans, direct leasing products and other financial services such as consultation services relating to automobile finance business to end customers, major customers and corporate clients for purchases of vehicles in the PRC.

SAIC Finance

SAIC Finance is a company established in the PRC and is a wholly-owned subsidiary of SAIC Motor. It is a non-banking financial institution established with the approval of the CBIRC and is principally engaged in the provision of financial services including deposit services, credit services, financial and financing consultation, credit verification and related consultation, agency services, and settlement and liquidation, etc.

SAIC Motor

SAIC Motor is a company established in the PRC and listed on the Shanghai Stock Exchange, with stock code 600104. SAIC Motor is a leading automobile group in the PRC and it is principally engaged in the research and development, manufacture and sale of automobiles and automobile components, automobile finance business and the provision of mobility service. As at the date of this announcement, Shanghai Automotive Industry Corporation (Group) is the controlling shareholder of SAIC Motor, and Shanghai Automotive Industry Corporation (Group) is in turn wholly-owned by Shanghai SASAC.

VIII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders in respect of the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

The Company has appointed Goldlink Capital (Corporate Finance) Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

IX. DESPATCH OF CIRCULAR

A general meeting will be convened for the purpose of, amongst other things, considering, and if thought fit, approving the Financial Services Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps. A circular containing, inter alia, (i) further details of the Financial Services Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the terms of the continuing connected transactions; (iii) a letter of advice from the Independent Financial Adviser in relation to the continuing connected transactions; (iv) other information as required under the Listing Rules; and (v) a notice of the general meeting, will be despatched to the Shareholders on or before 12 June 2023.

X. DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“associate” has the meaning ascribed thereto under the Listing Rules

“Board” the board of Directors

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| “business day” | any day on which banks in the PRC are generally open for normal banking business to the public |
| “CBIRC” | 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 Main Board of the Stock Exchange (stock code: 2718) |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | the issued ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB and originally issued by the Company to domestic investor(s) for subscription in RMB |
| “Financial Services Agreement” | the financial services agreement entered into between the Company and SAIC Finance on 19 May 2023 in relation to the provision of certain deposit services |
| “H Share(s)” | the 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 HK\$ and listed on the Stock Exchange |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | means the Board committee, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) |

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| “Independent Financial Adviser” | Goldlink Capital (Corporate Finance) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) |
| “Independent Shareholders” | Shareholders who are not required to abstain from voting at the relevant general meeting of the Company to be held to consider, and if thought fit, approve the Financial Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) |
| “independent third parties” | independent third parties (to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries), including the ultimate beneficial owners of such party, who are not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates (within the meaning of the Listing Rules) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, but for the purposes of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Proposed Annual Caps” | has the meaning ascribed thereto under the paragraph headed “III. Historical transaction amount and proposed annual caps” in this announcement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SAIC Finance” | Shanghai Automotive Group Finance Corporation Limited* (上海汽車集團財務有限責任公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of SAIC Motor |

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| “SAIC Motor” | SAIC Motor Corporation Limited* (上海汽車集團股份有限公司), a controlling shareholder of the Company and a company listed on the Shanghai Stock Exchange (stock code: 600104) |
| “SAIC Motor Group” | SAIC Motor and its subsidiaries (excluding the Company) |
| “SFO” | the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) |
| “Shanghai SASAC” | Shanghai Municipal State-owned Assets Supervision and Administration Commission* (上海市國有資產監督管理委員會) |
| “Share(s)” | ordinary shares in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Unlisted Foreign Share(s)” | the 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 foreign currency and originally issued to persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange |
| “%” | per cent |

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

Hong Kong, 19 May 2023

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

* *For identification purposes only*