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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

INTERIM RESULTS

The Board of Shanghai Dongzheng Automotive Finance Co., Ltd.* hereby announces the unaudited interim results of the Company for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021, which shall be read in conjunction with the management discussion and analysis below.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the six months ended 30 June 2022 — unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		(unaudited)	(unaudited)
		RMB'000	RMB'000
Interest income		80,302	213,075
Interest expenses		<u>—</u>	<u>(48,807)</u>
Net interest income	3	80,302	164,268
Fee and commission income		10,726	19,702
Fee and commission expenses		<u>(164)</u>	<u>(417)</u>
Net fee and commission income	4	10,562	19,285
Other net (expenses)/income	5	<u>(5,504)</u>	<u>772</u>
Operating income		85,360	184,325
Operating expenses		(51,870)	(55,431)
Reversal/(charge) of impairment losses		452,074	(474,563)
Finance costs		<u>(388)</u>	<u>(719)</u>
Profit/(loss) before taxation	6	485,176	(346,388)
Income tax	7	<u>(179,874)</u>	<u>86,661</u>
Profit/(loss) and total comprehensive income for the period		305,302	(259,727)
Earnings/(loss) per share			
Basic and diluted (<i>RMB</i>)	8	<u>0.1427</u>	<u>(0.1214)</u>

STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	At 30 June 2022 (unaudited) RMB'000	At 31 December 2021 (audited) RMB'000
Assets			
Cash and deposits with central bank	9	489	487
Deposits with banks	10	1,092,452	255,403
Loans and advances to customers	11	2,231,355	2,439,894
Finance lease receivables	12	457	4,616
Bills receivable	13	—	175,548
Property and equipment	14	10,956	16,591
Intangible assets	15	5,355	7,417
Deferred tax assets		277,852	449,475
Other assets	16	16,599	26,340
Total assets		<u>3,635,515</u>	<u>3,375,771</u>
Liabilities			
Guarantee deposits	17	3,500	3,649
Lease liabilities	18	8,119	13,582
Current taxation		—	26,398
Other liabilities	19	94,127	107,675
Total liabilities		<u>105,746</u>	<u>151,304</u>
NET ASSETS		<u>3,529,769</u>	<u>3,224,467</u>
CAPITAL AND RESERVES			
Share capital		2,139,651	2,139,651
Reserves	20(b)	1,390,118	1,084,816
TOTAL EQUITY		<u>3,529,769</u>	<u>3,224,467</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in the accounting policies are set out in note 2.

2 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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.

3 NET INTEREST INCOME

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
Interest income arising from		
Loans and advances to customers	76,400	210,962
Deposits with central bank and other banks	3,690	1,374
Finance lease receivables	212	739
Sub-total	80,302	213,075
Interest expenses arising from		
Placements from banks	—	(48,807)
Sub-total	—	(48,807)
Net interest income	80,302	164,268

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Fee and commission income arising from		
Joint loan services	10,397	16,903
Consulting services	—	221
Others	329	2,578
	<u>10,726</u>	<u>19,702</u>
Sub-total	<u>10,726</u>	<u>19,702</u>
Fee and commission expenses arising from		
Bank charges	(164)	(417)
	<u>(164)</u>	<u>(417)</u>
Sub-total	<u>(164)</u>	<u>(417)</u>
Net fee and commission income	<u>10,562</u>	<u>19,285</u>

The Company derives its fee and commission income arising from its joint loan services over time.

5 OTHER NET (EXPENSES)/INCOME

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Net exchange (losses)/gains		(1,671)	425
Government grants	<i>(a)</i>	95	—
Others		(3,928)	347
		<u>(5,504)</u>	<u>772</u>
Total		<u>(5,504)</u>	<u>772</u>

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

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Staff costs

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses and allowances	19,850	23,307
Other social welfare	2,745	3,346
Contributions to pension schemes	2,490	2,991
	<u>25,085</u>	<u>29,644</u>
Total	<u>25,085</u>	<u>29,644</u>

(b) (Reversal)/charge of impairment losses

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	(376,088)	441,371
Finance lease receivables	3,024	(587)
Bills receivable	(75,235)	13,370
Other assets	(3,775)	20,409
	<u>(452,074)</u>	<u>474,563</u>
Total	<u>(452,074)</u>	<u>474,563</u>

(c) Other items

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation		
— right-of-use assets	4,631	4,631
— intangible assets	2,062	2,321
— property and equipment	1,004	1,323
Professional service fees	5,893	6,995
Maintenance fees	4,950	3,109
Legal consultancy	2,799	3,397
Supervision fees	1,912	—
Tax and surcharges	1,082	1,637
Office expenses	476	653
Travel expenses	471	547
Expenses relating to short-term leases	—	50
Others	1,505	1,124
	<hr/>	<hr/>
Sub-total	26,785	25,787
Finance costs	388	719
	<hr/>	<hr/>
Total	27,173	26,506

7 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:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for the period	8,058	34,875
Under/(over) provision in respect of prior years	193	(143)
	<hr/>	<hr/>
Sub-total	8,251	34,732
Deferred tax		
Origination/(reversal) of temporary differences	171,623	(121,393)
	<hr/>	<hr/>
Total	179,874	(86,661)

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

8 EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of profit of RMB305,302 thousands (six months ended 30 June 2021: loss of RMB259,727 thousands) and the weighted average of 2,139,651 thousands ordinary shares (2021: 2,139,651 thousands ordinary shares) in issue during the interim period, which is set out as follows:

	Six months ended 30 June	
	2022	2021
Profit/(loss) attributable to ordinary equity shareholders of the Company (<i>RMB'000</i>)	305,302	(259,727)
Weighted average number of ordinary shares issued (<i>in thousands</i>)	2,139,651	2,139,651
Basic and diluted earnings/(loss) per share attributable to shareholders (<i>RMB</i>)	<u>0.1427</u>	<u>(0.1214)</u>

There were no dilutive potential ordinary shares for the six months ended 30 June 2022 or 2021. Therefore, diluted earnings/(loss) per share are equivalent to basic earnings/(loss) per share.

9 CASH AND DEPOSITS WITH CENTRAL BANK

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Deposits with central bank		
— Statutory deposit reserves	175	230
— Surplus deposit reserves	<u>314</u>	<u>257</u>
Total	<u>489</u>	<u>487</u>

10 DEPOSITS WITH BANKS

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Deposits with banks	1,092,304	255,317
Accrued interest	<u>148</u>	<u>86</u>
Total	<u>1,092,452</u>	<u>255,403</u>

11 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Retail loans	970,273	1,516,458
Dealer's loans	<u>2,551,809</u>	<u>2,581,294</u>
Gross loans and advances to customers	3,522,082	4,097,752
Accrued interest	<u>2,341</u>	<u>4,226</u>
Sub-total	3,524,423	4,101,978
Less: Allowances for impairment losses	<u>(1,293,068)</u>	<u>(1,662,084)</u>
Net loans and advances to customers	<u><u>2,231,355</u></u>	<u><u>2,439,894</u></u>

(b) Analysed by type of collateral

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Collateralized loans	970,273	1,516,458
Guaranteed loans	<u>2,551,809</u>	<u>2,581,294</u>
Gross loans and advances to customers	3,522,082	4,097,752
Accrued interest	2,341	4,226
Less: Allowances for impairment losses	<u>(1,293,068)</u>	<u>(1,662,084)</u>
Net loans and advances to customers	<u><u>2,231,355</u></u>	<u><u>2,439,894</u></u>

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

	At 30 June 2022				Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	
Collateralized loans	10,321	3,674	39,303	28,140	81,438
Guaranteed loans	—	—	2,551,809	—	2,551,809
	<u>10,321</u>	<u>3,674</u>	<u>2,591,112</u>	<u>28,140</u>	<u>2,633,247</u>
	At 31 December 2021				Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	
Collateralized loans	13,722	32,511	26,927	2,608	75,768
Guaranteed loans	—	2,067,611	513,683	—	2,581,294
	<u>13,722</u>	<u>2,100,122</u>	<u>540,610</u>	<u>2,608</u>	<u>2,657,062</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 amounts of overdue loans and advances to customers before any allowances for impairment losses.

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

	At 30 June 2022			
	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)	891,050	7,814	2,625,559	3,524,423
Less: Allowances for impairment losses	<u>(5,000)</u>	<u>(2,976)</u>	<u>(1,285,092)</u>	<u>(1,293,068)</u>
Net loans and advances to customers	<u>886,050</u>	<u>4,838</u>	<u>1,340,467</u>	<u>2,231,355</u>
	At 31 December 2021			
	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)	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>

12 FINANCE LEASE RECEIVABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Minimum finance lease receivables	12,143	13,527
Less: Unearned finance lease income	<u>(67)</u>	<u>(316)</u>
Present value of finance lease receivables	12,076	13,211
Less: Allowances for impairment losses	<u>(11,619)</u>	<u>(8,595)</u>
Total	<u>457</u>	<u>4,616</u>

13 BILLS RECEIVABLE

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month (inclusive)	—	250,783
Less: Allowances for impairment losses	—	(75,235)
Total	<u>—</u>	<u>175,548</u>

14 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>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2021	4,367	1,082	14,428	36,212	56,089
Additions	137	—	138	—	275
Disposals	(24)	(22)	—	—	(46)
At 31 December 2021	4,480	1,060	14,566	36,212	56,318
Additions	5	—	—	—	5
Disposals	(71)	(15)	—	—	(86)
At 30 June 2022	<u>4,414</u>	<u>1,045</u>	<u>14,566</u>	<u>36,212</u>	<u>56,237</u>
Accumulated depreciation:					
At 1 January 2021	(2,864)	(878)	(8,537)	(15,576)	(27,855)
Charge for the year	(530)	(51)	(2,065)	(9,263)	(11,909)
Disposals	17	20	—	—	37
At 31 December 2021	(3,377)	(909)	(10,602)	(24,839)	(39,727)
Charge for the period	(215)	(23)	(766)	(4,631)	(5,635)
Disposals	67	14	—	—	81
At 30 June 2022	<u>(3,525)</u>	<u>(918)</u>	<u>(11,368)</u>	<u>(29,470)</u>	<u>(45,281)</u>
Net book value:					
At 30 June 2022	<u>889</u>	<u>127</u>	<u>3,198</u>	<u>6,742</u>	<u>10,956</u>
At 31 December 2021	<u>1,103</u>	<u>151</u>	<u>3,964</u>	<u>11,373</u>	<u>16,591</u>

15 INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2021	38,189
Additions	<u>543</u>
At 31 December 2021	38,732
Additions	<u>—</u>
At 30 June 2022	<u>38,732</u>
Accumulated amortisation:	
At 1 January 2021	(26,852)
Charge for the year	<u>(4,463)</u>
At 31 December 2021	(31,315)
Charge for the period	<u>(2,062)</u>
At 30 June 2022	<u>(33,377)</u>
Net book value:	
At 30 June 2022	<u>5,355</u>
At 31 December 2021	<u>7,417</u>

16 OTHER ASSETS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Other receivables	5,006	6,143
Prepayments	4,111	3,819
Deductible value-added tax	3,874	3,971
Prepaid income tax	3,557	—
Interest receivables	<u>51</u>	<u>12,407</u>
Total	<u>16,599</u>	<u>26,340</u>

17 GUARANTEE DEPOSITS

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Deposits provided by dealers for retail business	2,428	2,428
Deposits from finance lease clients	1,072	1,221
Total	3,500	3,649

18 LEASE LIABILITIES

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

	At 30 June 2022		At 31 December 2021	
	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)	6,691	7,017	9,370	9,975
After 1 year but within 2 years (inclusive)	1,428	1,439	4,212	4,332
	1,428	1,439	4,212	4,332
	8,119	8,456	13,582	14,307
Less: total future interest expenses		(337)		(725)
Present value of lease liabilities		8,119		13,582

19 OTHER LIABILITIES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Other payables	91,895	105,755
Advance receipts	2,232	1,920
Total	94,127	107,675

20 CAPITAL AND RESERVES

(a) Dividends

No dividend was declared or paid to equity shareholders of the Company attributable to six months ended 30 June 2022 (six months ended 30 June 2021: 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 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.

(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 30 June 2022 amounted to RMB156,047 thousands (31 December 2021: 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.

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 customers' 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.

	Six months ended 30 June 2022			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Net interest income	46,480	30,132	3,690	80,302
Net fee and commission income	10,562	—	—	10,562
Other net income	(4,592)	—	(912)	(5,504)
Operating income	52,450	30,132	2,778	85,360
Operating expenses	(33,975)	(17,895)	—	(51,870)
Reversal of impairment losses	10,596	441,478	—	452,074
Finance costs	(254)	(134)	—	(388)
Profit before taxation	28,817	453,581	2,778	485,176
Other segment information				
— Depreciation and amortisation	5,041	2,656	—	7,697

	At 30 June 2022			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets/total assets	893,906	1,340,030	1,401,579	3,635,515
Reportable segment liabilities/total liabilities	(39,439)	—	(66,307)	(105,746)
	Six months ended 30 June 2021			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Net interest income	103,988	58,906	1,374	164,268
Net fee and commission income	19,285	—	—	19,285
Other net income	—	—	772	772
Operating income	123,273	58,906	2,146	184,325
Operating expenses	(37,092)	(18,339)	—	(55,431)
Reversal/(charge) of impairment losses	28,406	(502,969)	—	(474,563)
Finance costs	(481)	(238)	—	(719)
Profit/(loss) before taxation	<u>114,106</u>	<u>(462,640)</u>	<u>2,146</u>	<u>(346,388)</u>
Other segment information				
— Depreciation and amortisation	<u>5,538</u>	<u>2,737</u>	<u>—</u>	<u>8,275</u>
	At 31 December 2021			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets/total assets	1,440,857	1,194,681	740,233	3,375,771
Reportable segment liabilities/total liabilities	(55,071)	(6)	(96,227)	(151,304)

(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 2021: Nil).

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Completion of SAIC Motor Corporation Limited's Acquisition of the Company (the "Acquisition")

On 19 May 2022, SAIC Motor Corporation Limited (the "Offeror") won the auction at the bid price of RMB1,606,812,970 to acquire the 1.52 billion unlisted foreign shares of the Company. On 4 August 2022, the Offeror has completed the Acquisition and become the controlling shareholder of the Company. The Offeror will be required to make unconditional mandatory general offers in cash for all the issued domestic shares and H shares of the Company not already owned or agreed to be acquired by the Offeror and its concert parties in accordance with the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong.

Repayments from customers

In July and August 2022, the Company received repayments of certain overdue loans and receivables from customers of approximately RMB1.4 billion. In respect of such repayments, the Company recorded a further reversal of impairment losses of approximately RMB78 million in July and August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is an automotive finance company licensed and regulated by the CBIRC. 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 in the PRC.

In the first half of 2022, due to shortage of chips supplies, rising cost of raw materials and outbreak of the COVID-19 pandemic in areas such as Jilin, Shanghai etc, there has been relatively significant impact on industry chain and supply chain for the automobile industry in the PRC. According to the China Association of Automobile Manufacturers, in the first half of 2022, the vehicles production and sales volume in China decreased by 3.7% and 6.6%, respectively, whilst the production and sales volume of passenger vehicles increased by 6.0% and 3.4%, respectively as compared to the corresponding period in 2021.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the CBIRC. As at 30 June 2022, there are 25 (31 December 2021: 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. For the six months ended 30 June 2022, the Company's partnership-based dealer network covered more than 200 cities in China. As at 30 June 2022, the Company has 955 (31 December 2021: 930) partnership-based dealers in total. Furthermore, by focusing on sales to middle and high-end brands, these sales channels enable close engagement with an upgraded consumption demographic. The strength of the Company's sales network and reasonably established market presence has enabled the Company to introduce good customer experience and services to the consumers.

Having considered the overall economic environment, industry situation and the pandemic etc, the Company has been prudently managing business risks, focusing on improving loan quality and reducing loan portfolio since 2021. For the six months ended 30 June 2022, the number and amount of retail loans disbursed by the Company decreased, the amount of loans disbursed being RMB63 million, representing a decrease of 76% as compared with RMB261 million in the same period of last year. In addition, in response to the fluctuation in the overall domestic credit environment, the Company reduced its loan portfolio as well as the need for external financing, and kept placements from bank to zero in the first half of 2022.

As a result, the Company's loan portfolio decreased by 8.5% to RMB2.23 billion as at 30 June 2022 from RMB2.44 billion as at 31 December 2021. For the six months ended 30 June 2022, the Company's net interest income amounted to RMB80 million, representing a decrease of 51% as compared to the same period of 2021. The Company's operating income amounted to RMB85 million in the first half of 2022, representing a decrease of 54% as compared to the same period in last year. The Company recorded a net profit of RMB305 million in the first half of 2022 as compared to a net loss of RMB260 million in the same period of 2021. The major reason leading to the turnaround of the Company was, based on the assessment of the Company on the recoverability of its loans and advances to customers and bills receivable, including the repayment of certain overdue receivables from customers of approximately RMB1.7 billion during the period up to the date of this announcement in 2022, the Company recorded a reversal of impairment losses of approximately RMB452 million for the six months ended 30 June 2022 as compared to a provision for impairment losses of approximately RMB475 million for the corresponding period last year. However, such improvement was partly offset mainly by the decrease in net interest income. Based on the assessment of the economic situation and credit risks, as well as the impact of the pandemic, the Company has adopted a more cautious approach and has been gradually reducing its loan portfolio since 2021, leading to a decrease in net interest income of approximately RMB84 million.

The Company has a diverse customer base. As at 30 June 2022, the Company has a total of 21,828 customers (including 21,745 retail loan customers and 83 dealer's loan customers).

In terms of retail loans, the Company disbursed a total of 254 retail loans in the first half of 2022, representing a decrease of 95% as compared with the corresponding period of 2021. The amount of loan disbursed was RMB63 million, representing an decrease of 76% as compared with the corresponding period of 2021. The decrease was mainly due to the impact of the pandemic, and the cautious loan disbursement strategy adopted by the Company.

In terms of dealer's loan business, no loan was disbursed in the first half of 2022 due to the suspension of the dealer's loan business by the Company. As of 30 June 2022, the loan balance was RMB2.55 billion, representing a decrease of 1% as compared with the end of 2021.

	For the six months ended	
	30 June	
	2022	2021
Amount of retail loans disbursed (RMB million)	63	261
Number of self-operated retail loan disbursed	254	5,170
Including: Standard self-operated loans	253	1,994
Joint loans	1	3,176

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

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

Loan application review and approval phase

- screening and processing loan application materials (including, among others, the applicants' identity card, criminal records, business license (if any), driver's license and other requisite application materials such as the applicants' financial information, work information and address information); and conducting necessary preliminary authentication of the identity of the loan applicants by the Company's Loan Review & Approval Department
- performing due diligence exercise including searches on public records and third-party databases (such as the national enterprise credit information, Ministry of Public Security identity information platform, etc.) by the Company's Loan Review & Approval Department; carrying out on-site and/or off-site inspection, etc. on the accuracy and completeness of loan application materials submitted by loan applicants, in order to assess the authenticity of the applicant's identity, the authenticity of the purchase, and the applicant's willingness and ability to repay the loan
- approving, denying or granting conditional approval to the loan applications based on the review of the loan applicants' credit profile or credit line by the Company's Loan Review & Approval Department, the Loan Approval Committee, the Risk Management Committee and/or the Board

Loan disbursement phase

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

Post-disbursement management phase

- actively monitoring the loans after disbursement by the Company's Risk Management Department and customer service is provided by the Company's Operational Department for non-overdue loans
- implementing various loan collection processes, via its own loan collection team and independent third-party collection agencies, in accordance with the risks of relevant customers including:

- the Company's Asset Management Department will send SMS messages and/or make phone calls to customers to remind the customers concerned in relation to the loan repayment date (typically for overdue over 1 day)
- the Company's Asset Management Department will conduct on-site visits and issue demand letters to customers (typically for overdue over 11 days)
- the Company's Asset Management Department will engage third party collection agencies to take the lead in collecting repayment including making follow-up phone calls to customers and conducting on-site visits (typically for overdue over 31 days)
- the Company's Legal Department will take appropriate actions such as initiating legal proceedings including litigation and/or arbitration against the relevant customers as well as the guarantor(s), enforcing court judgements and applying to court for assets preservation orders (depending on the facts and circumstances of each case, such as the customer's willingness to repay and risk characteristics, the previous collection status, the necessity of asset preservation and other factors)

In the actual loan collection process, the Company will formulate the most practical and effective loan collection plan according to the risk characteristics of the clients.

The Company has also 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 30 June 2022, the Company's nonperforming loan balance was RMB1.21 billion (31 December 2021: RMB1.21 billion), whereby the nonperforming loan ratio was 34.50% (31 December 2021: 29.49%). During the period, 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 rules and enhance the ability of automated approval system to identify fraud risk and credit risk for retail customers; and (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 30 June 2022	As at 31 December 2021
Non-performing loan (NPL) ratio (60+)	34.50%	29.49%
Loan provision rate	36.71%	40.56%
Provision coverage ratio*	106.43%	137.54%

* 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 RMB529 million.

Enforcement of Administrative Decision and Completion of the Acquisition

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, 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 has complied with and will continue to comply with the requirements of the Administrative Decision and the Notice of Assistance in Enforcement throughout the Freezing Period.

On 19 May 2022, SAIC Motor Corporation Limited (the “Offeror” or “SAIC Motor”) won the auction at the bid price of RMB1,606,812,970 (equivalent to HK\$1,899,101,391) to acquire the 1.52 billion Unlisted Foreign Shares (the “Acquisition”). On 4 August 2022, the Offeror has completed the Acquisition and become the controlling Shareholder. The Offeror will be required to make unconditional mandatory general offers in cash (the “Offers”) for all the issued Domestic Shares and H Shares not already owned or agreed to be acquired by the Offeror and its concert parties in accordance with the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the “Takeovers Code”). The Offeror and the Company intend to jointly despatch the composite document comprising the offer document from the Offeror, the response document from the Board, details of the Offers (including the expected timetable and terms of the Offers), a letter of recommendation from the independent board committee of the Board to the independent Shareholders in relation to the Offers, a letter of advice from the independent financial adviser in relation to the Offers and the forms of acceptance etc. to the Shareholders in accordance with the requirements of the Takeovers Code. Further announcement(s) will be jointly made by the Offeror and the Company in relation to the timing of despatch of the composite document. For details, please refer to the joint announcements of the Company and the Offeror dated 26 May 2022, 13 June 2022, 5 August 2022, and 11 August 2022.

FINANCIAL REVIEW

Net Interest Income

The Company's net interest income decreased by 51% to approximately RMB80 million for the six months ended 30 June 2022 from approximately RMB164 million for the six months ended 30 June 2021.

Set out below are the comparative figures for the six months ended 30 June 2022 and 2021.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income		
Loans and advances to customers	76,400	210,962
Deposits with central bank and other banks	3,690	1,374
Finance lease receivables	212	739
	<u>80,302</u>	<u>213,075</u>
Interest expenses		
Placements from banks	—	(48,807)
	<u>80,302</u>	<u>(48,807)</u>
Net interest income	<u><u>80,302</u></u>	<u><u>164,268</u></u>

1. Interest income: For the six months ended 30 June 2022, the Company recorded an interest income of approximately RMB80 million, representing a decrease of 62% as compared to approximately RMB213 million in the same period of 2021. The decrease in interest income was mainly due to the decrease in loan size.
2. Interest expenses: For the six months ended 30 June 2022, the Company didn't record interest expenses (for the six months ended 30 June 2021: approximately RMB49 million), which was mainly due to the decrease in borrowings resulting from the reduction in loan portfolio. As at 30 June 2022, the Company's outstanding balance of placements from banks was nil (as at 31 December 2021: nil).

Non-interest Income

1. Net fee and commission income: Net fee and commission income of the Company for the six months ended 30 June 2022 was approximately RMB11 million. Set forth below is a detailed breakdown:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Fee and commission income		
Joint loan services	10,397	16,903
Consulting services	—	221
Others	329	2,578
	<u>10,726</u>	<u>19,702</u>
Sub-total	<u>10,726</u>	<u>19,702</u>
Fee and commission expenses		
Bank charges	(164)	(417)
	<u>(164)</u>	<u>(417)</u>
Sub-total	<u>(164)</u>	<u>(417)</u>
Net fee and commission income	<u>10,562</u>	<u>19,285</u>

The Company's net fee and commission income mainly consisted of non-interest income received by the Company for the provision of joint-loan-related services. The Company's net fee and commission income for the six months ended 30 June 2022 amounted to approximately RMB11 million, representing a decrease of 45% as compared to approximately RMB19 million in the same period of 2021, which was due to the decrease in relevant income as a result of the decrease in the Company's loan portfolio.

2. Other net (expenses)/income: In the first half of 2022, the Company recorded other net expenses of approximately RMB6 million (for the six months ended 30 June 2021: other net income of approximately RMB0.8 million), which mainly comprised the exchange loss and other expenses.

Operating Expenses

The Company's operating expenses comprised staff cost, depreciation and amortization etc. For the six months ended 30 June 2022, the Company's operating expenses amounted to approximately RMB52 million in aggregate, representing a decrease of 6.4% as compared to approximately RMB55 million for the same period of 2021. It was mainly due to the decrease in business of the Company which resulted in the decrease in the number of employees and related expenses.

(Reversal)/charge of Impairment Losses

The Company has adopted the HKFRS 9 Expected Credit Loss Model to categorise the risk assets of the Company into three stages. For the six months ended 30 June 2022, the Company recorded a reversal of impairment losses amounted to approximately RMB452 million (for the six months ended 30 June 2021: impairment losses of RMB475 million). The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, and adjustments for forward-looking information. The categorisation of loss stages is based on the number of days past due for each risk assets where (i) non-overdue assets are classified as the first loss stage; (ii) assets overdue within a period of 60-day (including the 60th day) are classified as the second loss stage; and (iii) assets overdue over for a period of 60-day are classified as the third loss stage. In addition to the aforementioned periods, the Company may also downgrade the loss stage on rare occasions according to, among others, information available concerning the relevant customers. Based on the Company's cautious assessment including the repayment of certain overdue receivables from customers of approximately RMB1.7 billion during the period up to the date of this announcement in 2022, the Company applied a lower overall provision ratio on the loans and receivables balances as at 30 June 2022 and recorded reversal of impairment losses. For further details, please refer to the table set out below:

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	(376,088)	441,371
Finance lease receivables	3,024	(587)
Bills receivable	(75,235)	13,370
Other assets	(3,775)	20,409
	<hr/>	<hr/>
Total	(452,074)	474,563
	<hr/> <hr/>	<hr/> <hr/>

Net Profit/(Loss)

For the six months ended 30 June 2022, the Company recorded a net profit of approximately RMB305 million. The Company recorded a net loss of approximately RMB260 million in the same period of 2021.

Cash and Deposits with Central Bank

As at 30 June 2022, the Company's cash and deposits with central bank amounted to approximately RMB0.5 million (as at 31 December 2021: RMB0.5 million). The deposits with central bank mainly comprise statutory deposit reserves and surplus deposit reserves. In accordance with the rules set by the People's Bank of China, the Company has deposited the statutory deposit reserves.

Deposits with Banks

As at 30 June 2022, deposits with banks amounted to approximately RMB1.09 billion, representing an increase of 328% as compared to approximately RMB0.26 billion as at 31 December 2021. It was mainly due to the receipt of the loan repayment from customers by the Company.

Loans and Advances to Customers

As of 30 June 2022, net loans and advances to customers amounted to approximately RMB2.23 billion, representing a decrease of 9% as compared to approximately RMB2.44 billion at the end of 2021. The Company's loan business mainly consists of auto loan business, among which, the gross balance of retail loans amounted to approximately RMB0.97 billion, representing a decrease of 36% as compared to approximately RMB1.52 billion at the end of 2021, while the gross balance of dealer's loans amounted to approximately RMB2.55 billion, representing a decrease of 1% as compared to approximately RMB2.58 billion as at 31 December 2021.

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Retail loans	970,273	1,516,458
Dealer's loans	2,551,809	2,581,294
Gross loans and advances to customers	3,522,082	4,297,752
Accrued interest	2,341	4,226
Less: Allowances for impairment loss	(1,293,068)	(1,662,084)
Net loans and advances to customers	2,231,355	2,439,894

Key terms of the Company's loan agreements include:

	For retail loan business	For dealer's loan business
1. Principal amount	A fixed amount as set out in the loan agreement.	Revolving loans.
2. Interest rate	<p>a. Fixed interest rate: the Loan Prime Rate published by the National Interbank Funding Center ("LPR") plus/minus a rate adjustment, which are fixed throughout the term upon signing of the loan agreement; or</p> <p>b. Floating interest rate: the LPR (which may be reset during the term of the contract) plus/minus a rate adjustment.</p>	
3. Repayment terms	<p>Repayment types include:</p> <p>a. fixed monthly instalment;</p> <p>b. fixed monthly principal repayment;</p> <p>c. balloon repayment; and</p> <p>d. other repayment schedule as agreed otherwise.</p> <p>Late repayment may result in a 50% increase of the loan interests.</p>	<p>Repayment after sale of car; or repayment upon the expiry of the loan term.</p> <p>Late repayment may result in a 50% increase of the loan interests.</p>
4. Use of loan proceeds	The loan proceeds shall be used for the purchase of cars (including surcharges such as vehicle insurance, vehicle purchase tax, auto parts and accessories, and extended warranty).	The loan proceeds shall be used for the purchase of cars.
5. Security interests	The Company may request vehicle mortgage, third-party guarantee, and additional collateralized assets depending on the circumstances.	

For retail loan business**For dealer's loan business**

6. Termination In event of a breach of the loan agreement by the customers, the Company would be authorised under the agreement to, among others:
- request additional guarantee;
 - accelerate the loan repayment date, such as declaring that all borrowings are immediately due or be repaid within a time limit; and
 - terminate the agreement unilaterally.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements are mainly satisfied by share capital and proceeds from loan products and services, which provided strong financial support to the Company's loans business. As at 30 June 2022, the Company's deposits with banks amounted to approximately RMB1.09 billion, representing an increase of 328% as compared to approximately RMB0.26 billion as at the end of 2021. The Company's balance of placements from banks was nil (31 December 2021: nil).

The Company's capital adequacy ratio increased from 68.37% as at 31 December 2021 to 88.11% as at 30 June 2022.

	As at 30 June 2022	As at 31 December 2021
Core tier-one capital adequacy ratio	87.20%	67.42%
Tier-one capital adequacy ratio	87.20%	67.42%
Capital adequacy ratio	88.11%	68.37%
Liquidity ratio	2,208.75%	2,143.02%
Gearing ratio	2.91%	4.48%

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

FOREIGN EXCHANGE RISK

As the Company carries out its business primarily in mainland China and settles in Renminbi, there are no material foreign exchange risks. As at 30 June 2022, the Company had certain net deposits with banks and other liabilities denominated in foreign currencies of approximately RMB38 million. The foreign exchange risk is considered to be low.

MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the six months ended 30 June 2022, there was no material acquisition and disposal of the Company's material assets.

SIGNIFICANT INVESTMENT

As at 30 June 2022, the Company did not hold any significant investment in equity interest in any company.

CHARGES ON ASSETS

As at 30 June 2022 and 31 December 2021, there were no charges on the Company's assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2022, the Company did not have any plans for material investments and capital assets.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2022, the Company had 153 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 30 June 2022, approximately 96% of the Company's employees held a bachelor's degrees or above, and 20% held a master's degree or above. For the six months ended 30 June 2022, total staff costs of the Company amounted to approximately RMB25 million (for the six months ended 30 June 2021: RMB30 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 six months ended 30 June 2022, 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 30 June 2022.

CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

Though facing pressures from different aspects from the automobile industry during the first half of 2022, with the support of the national automobile industry development strategy and the introduction of local policies promoting automobile consumption, there has been relative significant improvement in the sales of automobile since June 2022 and the confidence for consumption market gradually resumed. Meanwhile, the Company also noted that the sales of new energy vehicles grew amid negative market trend, evidenced by remarkable increase in the market share. Looking into the second half of 2022, the Company will closely monitor the introduction of industry-related policies and promptly analyze the economic environment and credit market situation. The Company shall, under strict risk assessment, enhance loan disbursement efforts and strengthen cooperation with automobile brands. The Company will also develop innovative and customized financial products for new energy vehicles to pursue new business growth.

On the other hand, SAIC Motor has formally become the controlling Shareholder since 4 August 2022. As one of the leading automotive groups in China, the Company believes that with the support of SAIC Motor's financing capabilities as a state-owned platform and business resources as an automobile manufacturer, it could create synergy and provide extensive customer base for the Company as well as promote the development of the Company's automotive finance business. Meanwhile, the Company's capabilities on corporate governance, financing, serving the real economy with quality financial products and services, risk management and control, and comprehensive operational management would be enhanced.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance 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 six months ended 30 June 2022, the Company has complied with all code provisions of the Corporate Governance Code.

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

During the six months ended 30 June 2022, the Company did not purchase, sell or redeem any of the Company's listed securities.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 23 to the unaudited interim financial statements in this announcement, the Board is not aware of any significant and important events requiring disclosure that have taken place subsequent to 30 June 2022 and up to the date of this announcement.

REVIEW OF ACCOUNTS

The audit committee of the Board (the "Audit Committee") has reviewed the unaudited financial statements of the Company for the six months ended 30 June 2022 on 25 August 2022. The unaudited interim financial statements of the Company for the six months ended 30 June 2022 have been reviewed by the Company's auditor, KPMG, Certified Public Accountants, in accordance with Hong Kong Standards on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee (comprising two independent non-executive Directors, namely Mr. Wong Man Chung Francis (chairman) and Ms. Liang Yanjun at the relevant time) discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management and KPMG. Based on the review and discussions with the management, the Audit Committee was satisfied that the Company's unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Company's financial position and results for the period under review.

Following the resignation of Mr. Lin Zheyang from the position of independent non-executive Director since 30 June 2020, the Company failed to meet the following requirements: (i) the Board must include at least three independent non-executive Directors under Rule 3.10(1) of the Listing Rules; and (ii) the composition of the Audit Committee under Rule 3.21 of the Listing Rules. The Company has applied and the Stock Exchange has granted a further waiver from strict compliance with the abovementioned Listing Rules up to 31 August 2022.

Following the appointment of Professor Qin Zheng as an independent non-executive Director and a member of the Audit Committee on 30 August 2022, the Company has complied with the requirements of Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

PUBLICATION OF INTERIM RESULTS

This interim results announcement is published on the Company's website at www.dongzhengafcc.com and the website of the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2022 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
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)

“CBIRC Shanghai Office”	the 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
“PRC GAAP”	the accounting principles generally accepted in the PRC
“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), the former 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, 31 August 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, Ms. Liang Yanjun and Professor Qin Zheng as independent non-executive Directors.

* *for identification purposes only*