YONDA 永达汽车

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
中國永達汽車服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：03669

INTERIM REPORT 2019


BENTLEY
上海宝诚

CONTENT

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. CHEUNG Tak On *(Chairman)*
Mr. CAI Yingjie
(Vice-chairman and Chief Executive Officer)
Mr. WANG Zhigao *(Vice-chairman)*
Mr. XU Yue *(President)*
Ms. CHEN Yi *(Vice-president)*

Non-executive Director
Mr. WANG Liqun

Independent Non-executive Directors
Ms. ZHU Anna Dezhen
Mr. LYU Wei
Mr. MU Binrui

CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
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Grand Cayman KY1-9005
Cayman Islands

LEGAL ADVISERS TO HONG KONG LAW

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road, Hong Kong

JOINT COMPANY SECRETARIES

Ms. ZHANG Hong
Ms. MOK Ming Wai *(FCIS, FCS)*

AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao
Ms. MOK Ming Wai

AUDIT AND COMPLIANCE COMMITTEE

Ms. ZHU Anna Dezhen *(Chairman)*
Mr. LYU Wei
Mr. MU Binrui

REMUNERATION COMMITTEE

Ms. ZHU Anna Dezhen *(Chairman)*
Mr. WANG Zhigao
Mr. LYU Wei

NOMINATION COMMITTEE

Mr. CHEUNG Tak On *(Chairman)*
Mr. LYU Wei
Mr. MU Binrui

HONG KONG SHARE REGISTRAR

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STOCK CODE

03669

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
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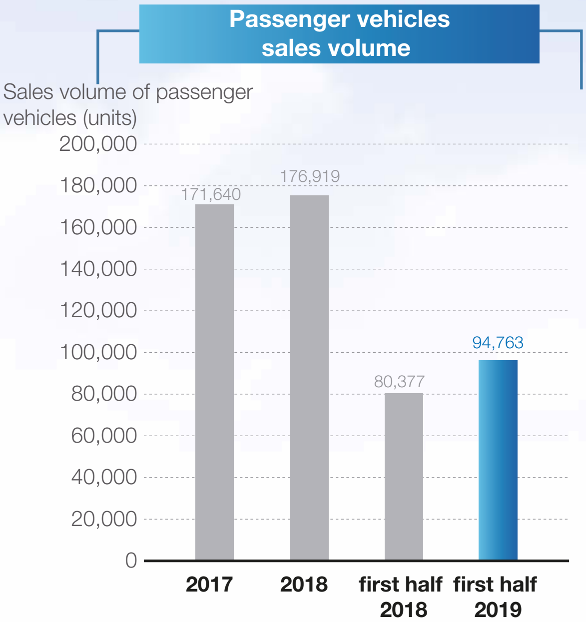
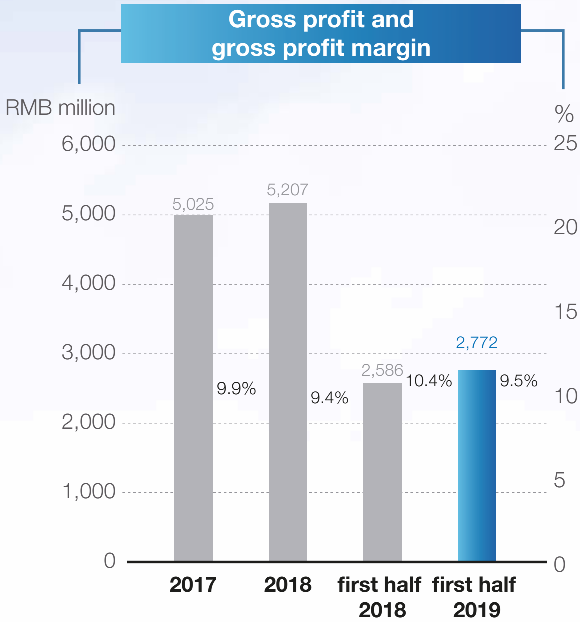
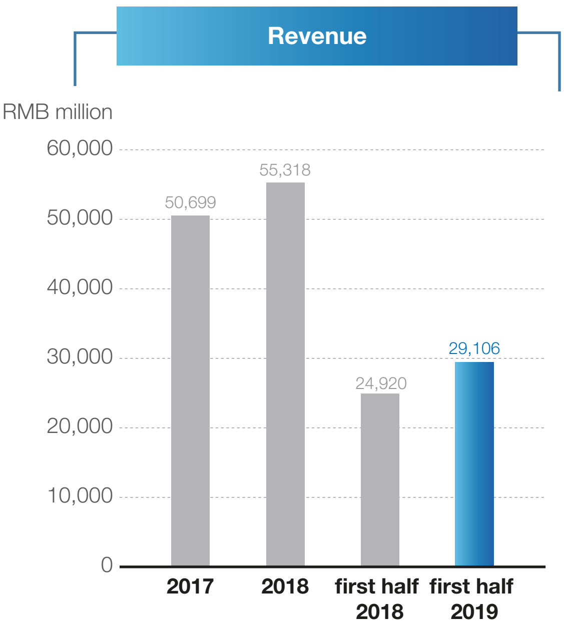
COMPANY WEBSITE

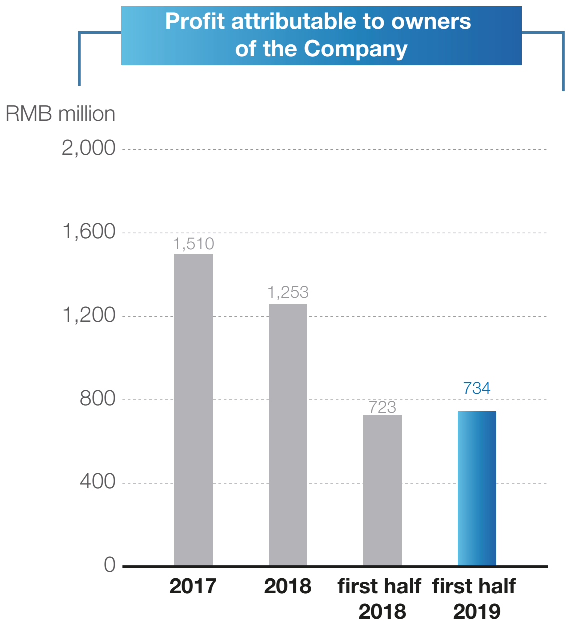
www.ydauto.com.cn

Financial Highlights









Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the Interim Report for the first half of 2019 of the Company and its subsidiaries (collectively referred to as the "Group", "we" or "us").

According to the data from China Automobile Dealers Association (中國汽車流通協會), in the first half of 2019, sales volume of luxury passenger vehicles in China continued to grow steadily, reaching 1.53 million units and representing an increase of 15.6% year-on-year. However, due to the impact of slowdown in macroeconomic growth and Sino-US trade tension, the overall volume of manufacturing and sales of passenger vehicles in China declined.

Despite being under a challenging market condition, our revenue and gross profit achieved a steady growth in the first half of 2019. Our comprehensive revenue and comprehensive gross profit, taking into account the revenue from finance and insurance agency services, amounted to RMB29,633 million and RMB3,299 million respectively, representing an increase of 16.8% and 8.6% respectively, compared to the same period in 2018. In the first half of 2019, our net profit and net profit attributable to owners of the Company were RMB782 million and RMB734 million respectively, representing an increase of 1.6% and 1.5% over the same period in 2018, and also representing an increase of 41.0% and 38.6% respectively compared with the second half of 2018.

I. KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD

1. In the first half of 2019, our sales volume of new vehicles increased by 17.9% over the same period in 2018 to 94,763 units, of which sales of new luxury vehicles increased by 24.2% to 60,981 units; our sales revenue of new vehicles reached RMB24,482 million, an increase of 17.3% over the same period in 2018. Among which, sales revenue of new vehicles of luxury brands increased by 19.3% over the same period in 2018 to RMB20,169 million. The proportion of sales revenue from new vehicles of luxury brands of the overall sales revenue of new vehicles has further increased to 82.4%. The gross profit margin of new vehicle sales was 2.39%, an increase of 0.56 percentage point compared to the second half of 2018. The turnover day of our new vehicle was 36.2 days, a decrease of 18.0 days compared to the same period in 2018.

2. In the first half of 2019, our after-sales services, including maintenance services and automobile extended products and services, achieved steady growth. Revenue reached RMB4,244 million, an increase of 14.7% over the same period in 2018. The gross profit margin of our after-sales service was 46.09%, which was basically the same as in the same period of 2018.

3. In the first half of 2019, the automobile finance and insurance business of the Group maintained a steady development, the revenue of full-caliber finance and insurance business amounted to RMB779 million, representing an increase of 9.3% over the same period last year, among which, the revenue derived from our proprietary finance business amounted to RMB246 million; the overall revenue of our agency business amounted to RMB533 million, presenting a trend of steady progress.

4. In the first half of 2019, the sales volume of pre-owned vehicles for which we acted as an agent was 19,784 units, representing an increase of 2.8% as compared to 19,251 units in the same period in 2018.

5. In the first half of 2019, our automobile rental services recorded a revenue of RMB224 million, representing an increase of 17.7% compared to the same period in 2018.

6. The Group adheres to a customer-oriented strategy, focusing on team training, perfecting our corporate organizational structure, committing to brand building, promoting digital management transformation and pursuing refined management to continuously improve our operational efficiency.

II. FUTURE PROSPECTS

The Group believes that the industry policy to promote vehicle consumption upgrade in China is favorable in the long run. Driven by the promotion for consumption upgrade, the sales volume of luxury vehicle brands will maintain a strong growth momentum, which will become a driving force for fostering the continuous and qualitative growth of the automobile market, thereby also driving a new round of rapid growth of automobile after-sales services, automobile finance services and pre-owned vehicle replacement and sales.

Chairman's Statement

We plan to focus on the following aspects in our future development:

1. We will firmly uphold our position as a dealership group of luxury automobiles and continue to develop the business of sales, repair and related services of luxury and ultra-luxury automobiles;

2. We will adhere to the measures of combining self-built outlets and acquisitions and mergers to steadily promote the nationwide network layout; meanwhile, we will intensify the upgrading of existing outlets and capability improvement work;

3. In terms of our pre-owned vehicle business, we will leverage our channel advantages, continuously enhance our capabilities in pre-owned vehicle replacement and branded pre-owned vehicle retails, and actively cooperate with OEMs, dealer groups, operating automobile rental companies and finance leasing companies, to consolidate the resources of quality pre-owned vehicles. We will actively promote the business model of "pre-owned vehicles + Internet + chain outlet + finance" to create the core competitiveness in the pre-owned vehicle industry;

4. In terms of our finance business, we will continue to consider introducing strategic investors to build a social automobile finance platform;

5. We will develop authorized sales, services and related business for new energy vehicle brands, actively develop new energy automobile travel service business as well as value the historic opportunity of the development of new energy vehicle industry; and

6. We will consistently put our customers as our focus, insist on transformation and innovation. We will enhance digital management and smart retail system establishment, and proactively implement streamlined management measures, grasp the pulse of industry and market development, and promote sustainable development of the Company.

On behalf of the Board, I would like to express our sincere gratitude to all of the staff for their efforts and to various parties in the community for their supports towards the steady development of the Group.

CHEUNG Tak On
Chairman

August 27, 2019

Management Discussion & Analysis

MARKET REVIEW

In the first half of 2019, according to the data from China Automobile Dealers Association (中國汽車流通協會), sales volume of luxury passenger vehicles in China continued to grow steadily, with total sales reaching 1.53 million units, representing an increase of 15.6% year-on-year, of which sales of BMW increased by 28.0% year-on-year and sales of Porsche increased by 39.0% year-on-year. However, due to the impact of factors including slowdown in macroeconomic growth and Sino-US trade tension, the overall production and sales of passenger vehicles are still under pressure. According to the data from China Association of Automobile Manufacturers (中國汽車工業協會), the sales volume of passenger vehicles in China in the first half of 2019 was 10.127 million units, a decrease of 14.0% year-on-year. The overall performances of passenger vehicles and luxury vehicles differed, mainly due to the continuous consumption upgrade demand in China, the continuous extension of luxury brand product lines and the enrichment of automobile finance products. After the VAT was lowered in April this year, OEMs of most luxury vehicle brands have lowered their sales reference prices, which has stimulated the demand of car buyers to a certain extent. It is believed that with the introduction of various domestic automobile consumption policies and the continuous deepening of tax reduction policy, the decline in passenger vehicle sales in China year-on-year in the second half of 2019 will be alleviated. We expect that the sales of luxury vehicles will continue to grow by approximately 10%.

Management Discussion & Analysis

In the first half of 2019, the main models of major luxury vehicle brands have entered into a stage of updating and upgrading, which is expected to help various luxury vehicle brands to stabilize their sales structure and improve sales quality. In the first half of 2019, with its main model (such as Macan) gradually completed the updating and upgrading, and the normal supply of Cayenne of national stage VI emission standards（國六排放標準）, the sales of Porsche brand achieved rapid growth while maintaining good profit performance. As for the BMW brand, due to the increase in sales of domestically produced X3 and the launch of new Series 3 vehicles, it is expected that the profitability of domestically produced vehicles will be further improved. As for the Audi brand, the successive launch of the new A6L vehicles and Audi Q3 vehicles also helped to improve the brand's sales structure and reduce the terminal sales discount. Luxury brands such as Volvo, Lincoln and Cadillac will also launch certain mid-range new SUV vehicles, which will also help improving the sales structure and profitability of these brands and be expected to achieve relatively significant growth opportunities in 2019. Compared with other mature markets, the proportion of sales of new vehicles of luxury brands out of the overall passenger car sales is still low in China, and it is believed that luxury vehicles sales will continue to grow well in the next few years.

According to the data from China Association of Automobile Manufacturers, sales of new energy vehicles in the first half of 2019 increased by 49.6% year-on-year to 617,000 units, of which pure electric vehicles accounted for 79.0%. With the launch of new energy vehicles by major automobile manufacturers, the mass production of the competitive models by the innovative new energy vehicle enterprises, and the continuous improvement of the infrastructures related to new energy vehicles, we expect that new energy vehicles will show great potential for development.

Management Discussion & Analysis

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the People's Republic of China ("PRC") (中國公安部交通管理局), as at June 30, 2019, the motor vehicle ownership in China has reached 340 million units, among which are 250 million automobiles, including a total of 198 million private vehicles (small passenger cars and mini passenger cars registered in the name of an individual). As at June 30, 2019, the motor vehicle ownership in 66 cities nationwide exceeded 1 million, with 29 cities having more than 2 million motor vehicle ownership and 11 cities having more than 3 million motor vehicle ownership. With the rising number of passenger vehicles and the aging of vehicles, it is expected that the future after-sales service market for passenger vehicles in China, especially luxury passenger vehicles, will continue to grow rapidly.

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 6.86 million units in the first half of 2019, representing a year-on-year increase of 3.9%. The average transaction price of pre-owned vehicles of the PRC in the first half of 2019 was RMB63,200, while vehicles with an age of 6 years or less accounted for 67.9% of the total transaction volume. Overall, with the further relaxation of the pre-owned vehicles relocation restriction policy and the optimization of and adjustment to tariff policies, there is a relatively large room for the future pre-owned vehicle transaction market in China in 2019.

According to the data from "2019-2023 In-Depth Research and Investment Prospects Report regarding China's Internet Automobile Finance Market" issued by the China Investment Advisory Network (中國投資諮詢網), the scale of the automobile finance market in China is expected to reach RMB1.66 trillion in 2019 and the growth rate is expected to reach 20.1%; with the gradual opening up of China's automobile finance market, the improvement of the credit information system, and the entry of finance leasing companies, Internet finance companies and Internet insurance companies, the market scale will be further expanded. It is expected that the scale of automobile finance market in China will reach RMB3.26 trillion in 2023, with a compound annual growth rate of 18.4%.

Management Discussion & Analysis

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, our revenue and gross profit achieved steady growth in the first half of 2019. Our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services, in the first half of 2019, amounted to RMB29,633 million and RMB3,299 million respectively, representing an increase of 16.8% and 8.6% respectively compared with the same period in 2018. In the first half of 2019, our net profit and net profit attributable to owners of the Company were RMB782 million and RMB734 million respectively, representing an increase of 1.6% and 1.5% respectively over the same period in 2018, and also representing an increase of 41.0% and 38.6% respectively compared with the second half of 2018. Set forth below is a summary of our business development in the first half of 2019:

Management Discussion & Analysis

Rapid Growth in New Vehicle Sales

In the first half of 2019, our sales volume of new vehicles increased by 17.9% over the same period in 2018 to 94,763 units, of which sales of new vehicles of luxury brands increased by 24.2% year-on-year to 60,981 units. The sales volume of new vehicles of various luxury brands which we are authorized by manufacturers has grown rapidly. Among which, sales of Porsche brand increased by 51.1% year-on-year, sales of BMW brand increased by 32.8% year-on-year, and sales of Volvo brand increased by 24.3% year-on-year, sales of new vehicles and sales of multiple luxury brands have achieved faster growth than the same period in the market.

In the first half of 2019, sales revenue of new vehicles reached RMB24,482 million, an increase of 17.3% over the same period in 2018. Among which, our sales revenue from new vehicles of luxury brands increased by 19.3% over the same period in 2018 to RMB20,169 million. The proportion of sales revenue from new vehicles of luxury brands of the overall sales revenue of new vehicles has further increased to 82.4%.

In the first half of 2019, our gross profit margin of new vehicle sales was 2.39%, an increase of 0.56 percentage point compared to the second half of 2018. Many of our authorized luxury brands have entered a period of rapid development, such as BMW, Porsche and Volvo. We have launched a number of new models with market competitiveness, and our market share has further expanded, which further strengthened our brand portfolio and further optimized our product structure. Besides, benefiting from the good market environment brought by favorable policies such as the reduction of VAT and the promotion of automobile consumption in the first half of 2019, and our active communication and cooperation with the various manufacturers, we have expanded the scale of new vehicle sales and fully obtained the best business policy support, which has effectively promoted the increase in gross profit margin of our new vehicle sales.

Management Discussion & Analysis

In the first half of 2019, the turnover day of our new vehicle was 36.2 days, a decrease of 18.0 days compared to the same period in 2018. Through the establishment of an integrated inventory management system, we have taken initiatives to accelerate the pace of new car sales. We strengthen management on purchase to ensure that the product structure meets market demand. We limited the funds occupied by inventory, which ensured a substantial increase in our inventory turnover efficiency and effectively controlled our financial costs.

With respect to the optimization of internal management in our new vehicle sales, we further enhanced the assessment and management model centering on the comprehensive gross profit of sales, comprehensively carried out benchmarking management of key KPIs of operating outlets and enhanced their profitability. We ensured the penetration rate of automobile finance agency business, automobile insurance business, automobile supplies business and other extended businesses, maintained steady profitability growth per vehicle in our extended businesses and enhanced the overall profitability of our new vehicle sales.

In terms of innovation in new vehicles sales model, we further enhanced the customer service experience in the car purchase process, and through efficient and interconnected information tools, we changed the traditional service process, reduced waiting time for customers while improving efficiency, and on this basis, constantly conducted research and improved a set of “new retail sales” customer service experience models. Meanwhile, we continued to reinforce our advantages in television sales channels and expanded our new model of vehicle sales on televisions to many provinces with rapid economic development in China, thus bringing fresh vehicle purchase experience to consumers as well as enhancing our brand influence and awareness.

Steady Growth in After-sales Services

In the first half of 2019, our after-sales services, including maintenance services and automobile extended products and services, achieved steady growth, reaching a revenue of RMB4,244 million, an increase of 14.7% over the same period in 2018. In the first half of 2019, the gross profit margin of our after-sales service was 46.09%, which was basically the same as in the same period of 2018.

In the first half of 2019, the number of customers under management and repaired vehicles continued to rise. It is due to the rapid growth of local retail sales of new vehicles and the Group's active cross-industry cooperation, which have increased the attraction channels for external after-sales customers. It is also due to our enhanced data analysis to continuously improve the number and accuracy of leads, and success rate of acquiring new customers.

In terms of upgrading the maintenance and repairing business, we have increased the investigation of hidden problems for all maintenance vehicles for the electromechanical business, and at the same time, with the corresponding targeted marketing activities, the revenue per vehicle of our electromechanical business has been improved. For the accident car business, we have strengthened the links between the insurance business and the accident car business, and obtained more accident car business resources with the advantage of the insurance business scale. At the same time, the proportion of luxury brand vehicles out of maintenance vehicles has continuously increased, which has further enhanced our maintenance revenue and profitability per vehicle. While increasing the shop absorption rate, we continuously optimized maintenance business structure to ensure the sustainable improvement of the maintenance business.

In terms of cost control, we carried out regular invitation for bids for large quantities of maintenance products, lubricants and decorating supplies capitalizing on our business scale, thereby further reducing our procurement costs while ensuring the quality of products and services. Besides, to ensure punctuality of products supply delivery, we continuously optimize inventory structure of spare parts and decorating supplies.

In terms of improving skills of maintenance technicians, we regularly organized various automobile repairing expertise training programs and adjusted the content of training, developed and introduced new energy expertise training programs in a timely manner according to the development trend of vehicle technology, ensuring our leading position in the industry in respect of our maintenance technicians' expertise. Meanwhile, by strengthening cooperation between schools and the Group, we discussed and optimized teaching materials and training methods with schools to ensure that graduates entering the Group can meet the requirements of our maintenance jobs.

Stable Growth of Pre-owned Vehicle Business

In the first half of 2019, the sales volume of pre-owned vehicles for which we acted as an agent was 19,784 units, representing an increase of 2.8% as compared to 19,251 units in the same period in 2018. We continued to deepen lean management, actively built our business model of "new retail sales" for pre-owned vehicles and saw preliminary results of a brand new business landscape of "pre-owned vehicles + Internet + chain outlets + finance". Currently, we have built a network of 126 pre-owned vehicle retail outlets across China, including 113 4S dealerships officially certified by OEM brands and 13 "Yongda Pre-owned Vehicle" officially certified chain outlets covering East China, North China, Southwest China, South China, etc. The Group was ranked among the Top 100 pre-owned vehicle dealers in the industry by the China Automobile Dealers Association in terms of sales volume of pre-owned vehicles.

Management Discussion & Analysis

In the first half of 2019, facing the impact of new car price fluctuation and other factors on pre-owned vehicles business, we continued to strengthen the updating in pre-owned vehicles showrooms of 4S dealership channels and the upgrading and updating of retained customers to achieve stable and sustainable growth of the business. We actively promoted the retail strategy of officially certified pre-owned vehicle brands, and exerted the long tail effect to bring significant increase in after-sales value and repurchase opportunities. We disposed non-retail vehicles in a quick and efficient manner through our independent B2B auction platform. We continuously upgraded the pre-owned vehicles ERP management system, realizing business and financial efficient integrated management of pre-owned vehicles business. We continued to strengthen the pre-owned vehicles teams, improved evaluation, testing and pricing capabilities, and implemented standardized business management and control. We strictly controlled inventory turnover management of pre-owned vehicles and established a "forced liquidation" system to ensure healthy inventory and operation.

"Yongda Pre-owned Vehicle" is an independent pre-owned vehicle new retail chain brand of the Group, and has attained good reputation in the industry for the five years since its establishment. We actively developed chain outlets by way of independent construction, cooperation, franchise, etc., and formed a standardized and chained operation system with efficient management system. Our e-commerce platform "Yongda Pre-owned Vehicle" came into operation in the first half of 2019, initially fulfilling the functions of online display, inventory sharing and national sales, and used the advantage of low-cost customer gaining of channels to conduct online attraction, offline experience and delivery.

Leveraging our good cooperation relationship with OEMs, we were granted the first independent authorization outside the system of officially certified showrooms by Das Welt Auto and SAIC-GM in China; through linking new vehicle sales to consolidate supply chain finance, we actively promoted the vehicle residual value management and disposal business to ensure stable and high quality retail resource supply of pre-owned vehicle. We have established our repair and refurbishment centers under regional centralized management, implemented professional inspection with 15 categories and 178 items, built an all-process quality control system characterized with product standardization and process management. We offer 30-day after-sales return policy and 1 year/20,000 km quality guarantee to establish brand reputation. Meanwhile, based on the development trend of the industry, we continuously explore the Company's sustainable development strategy and actively promoted the platform-focused, allied and light-asset business model.

Steady Progress of Automobile Finance

In the first half of 2019, the automobile finance and insurance business of the Group maintained a steady development. For the six months ended June 30, 2019, the revenue of full-caliber finance and insurance business of the Group amounted to RMB779 million, representing an increase of 9.3% over the same period last year, among which, the revenue derived from our proprietary finance business amounted to RMB246 million; the overall revenue of agency business amounted to RMB533 million, presenting a trend of steady progress.

In the first half of 2019, with respect to the agency business, the Group was more focused with linking with partner institutions. Through the cooperation of financial and insurance institutions, we carried out customer sharing deeply, and realized cross-selling profits with professional services. With respect to proprietary finance business, we actively changed the business philosophy and used finance as a sales tool to integrate into every aspect of automobile sales service.

In the first half of 2019, we actively promoted the implementation of the strategy of "Platform Sharing, Channel Alliance". With comprehensive budget management as the starting point, through the establishment and improvement of product system, risk system and network management system, we extended the finance and insurance service of the automobile industry chain to the whole country by the division and cooperation of the front, middle and back office.

Sustained Growth in Automobile Rental

In the first half of 2019, our automobile rental services recorded a revenue of RMB224 million, representing an increase of 17.7% compared to the same period in 2018.

In the first half of 2019, with respect to the long-term rental business, we maintained our current advantages as always, with an increasing number of customers with long-term rentals from the world's top 500 and large state-owned enterprises and private enterprises in finance, manufacturing, public services, media entertainment and high-tech sectors. We successively secured long-term rental business orders from a number of major customers, such as Brilliance Auto Rental, Atlas Copco and FAW Trading.

Meanwhile, with respect to the short-term rental business for high-end businesses and conferences, we kept forging ahead to become the designated service provider of numerous influential international and domestic conferences, major sports and cultural events, such as the "2019 Rolls-Royce Grand Ceremony" (2019勞斯萊斯至尊盛典), "2019 Formula 1 Chinese Grand Prix Shanghai Station" (2019年F1中國大獎賽上海站), "2019 Shanghai International Auto Show" (2019上海國際車展), "2019 China International Arts Festival" (2019年中國國際藝術節), "2019 International Cruise Terminal VIP Conference" (2019國際郵輪碼頭貴賓大會), "2019 International Conference & Exhibition on Liquefied Natural Gas" (2019國際液化天然氣會議), "Global Exhibition CEO Shanghai Summit 2019" (2019年國際會展業CEO上海峰會) and "2019 Global Mobile Telecommunication Conference" (2019世界移動通信大會), and attained positive marketing effects.

In the first half of 2019, in response to the public service vehicle reform policy of the Shanghai municipal government, we continued to provide rental protection for vehicles and the "Vehicle Steward Service" for the socialization for vehicles for public affairs, which covers many district governments and Public Security Bureau branches of Shanghai. The services provided included vehicle purchase, maintenance, accident rescue, automobile insurance, vehicle inspection and old vehicle repurchase etc. The launch of this project would further strengthen our leading position in the sphere of public service vehicle rental services in Shanghai.

In the first half of 2019, we adopted new multi-dimensional performance evaluation mechanism for automobile rental related personnel, which further mobilized their enthusiasm to serve customers and develop business. Signing contracts with a number of vehicle brand manufacturers directly reduced procurement costs. Under the premise of complying with regulatory policies and ensuring profitability, we started to rent vehicles from third parties for operation, which reduced the cost of capital.

Management Discussion & Analysis

In the first half of 2019, we continued to deploy our rental network in China. Currently, we have invested in and established over 30 rental service outlets in more than ten cities nationwide. Meanwhile, we continued to actively explore opportunities for cooperation with companies and agencies with advantages in terms of customer base and license resources in domestic cities with potential automobile rental market.

Accelerated Development of New Energy Vehicle Business

In early 2019, we established a new energy vehicle group. The industry orientation is firstly to strengthen brand authorization cooperation with domestic and foreign mid-to-high end new energy vehicle, secondly to develop new energy vehicle chain maintenance service, and thirdly to conduct new energy vehicles travelling services business. The new energy automobile industry has become an important strategic direction for our business development.

In the first half of 2019, our sales of new energy vehicles amounted to 4,104 units, representing an increase of 62.5% compared to the same period in 2018, the proportion of which in overall sales of new vehicles further increased to 4.3%.

We paid more attention to the rapid development trend of new energy vehicles in mainland China, and intensified marketing and customer acquiring of new energy vehicles in various authorized brands. We continued to strengthen cooperation with domestic renowned innovative new energy vehicle enterprises. In the first half of 2019, the authorized outlets for which we cooperate with WM Motor in Shanghai, Guangzhou and other cities were in good operation. At the same time, we were in close discussions with other new energy vehicle brands such as Xiaopeng, BYTON and ENOVATE to speed up the network layout of brand authorized outlets in first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen. It is expected that around 8 authorized outlets will be in operation by the end of this year, which will lay a good foundation for us to further expand the scale of new energy vehicle sales and service business

In the first half of 2019, we began to plan and develop new energy vehicle chain maintenance service outlets, focused on new energy vehicle after-sales service, and integrated new energy vehicle maintenance, electromechanical maintenance, sheet metal painting, and charging, etc. We discussed cooperation opportunities with retained customers of self-owned new energy authorized brands, as well as automobile brands that adopt direct selling model such as Tesla and NIO, to provide after-sales service for their customers and service support for new energy vehicles of travelling business.

In the first half of 2019, we established new outlets in Changsha, Wuxi, Shaoxing, Jiaxing, Huzhou and other regions, and continued to expand the coverage of new energy vehicle travelling service business with 11 cities in which we established outlets of travelling service business. We insisted on continuing to optimize operation and service level, strengthen the integration of all links of the industry chain, and achieve strategic cooperation with OEMs such as BAIC and BYD, and platforms such as DiDi and CAOCAO, and continued to accumulate the basis for expanding travelling service market share and enriching the ways of travelling service.

Continuous Optimization and Improvement of Network

In the first half of 2019, in respect of developing self-built outlets authorized by manufacturers, the Group continuously implemented the principle of "streamlining, modularization and intensification" and constantly optimized the brand portfolio in key areas. We focused on the functionality and scalability of outlets while further controlling the cost of investments in store establishment.

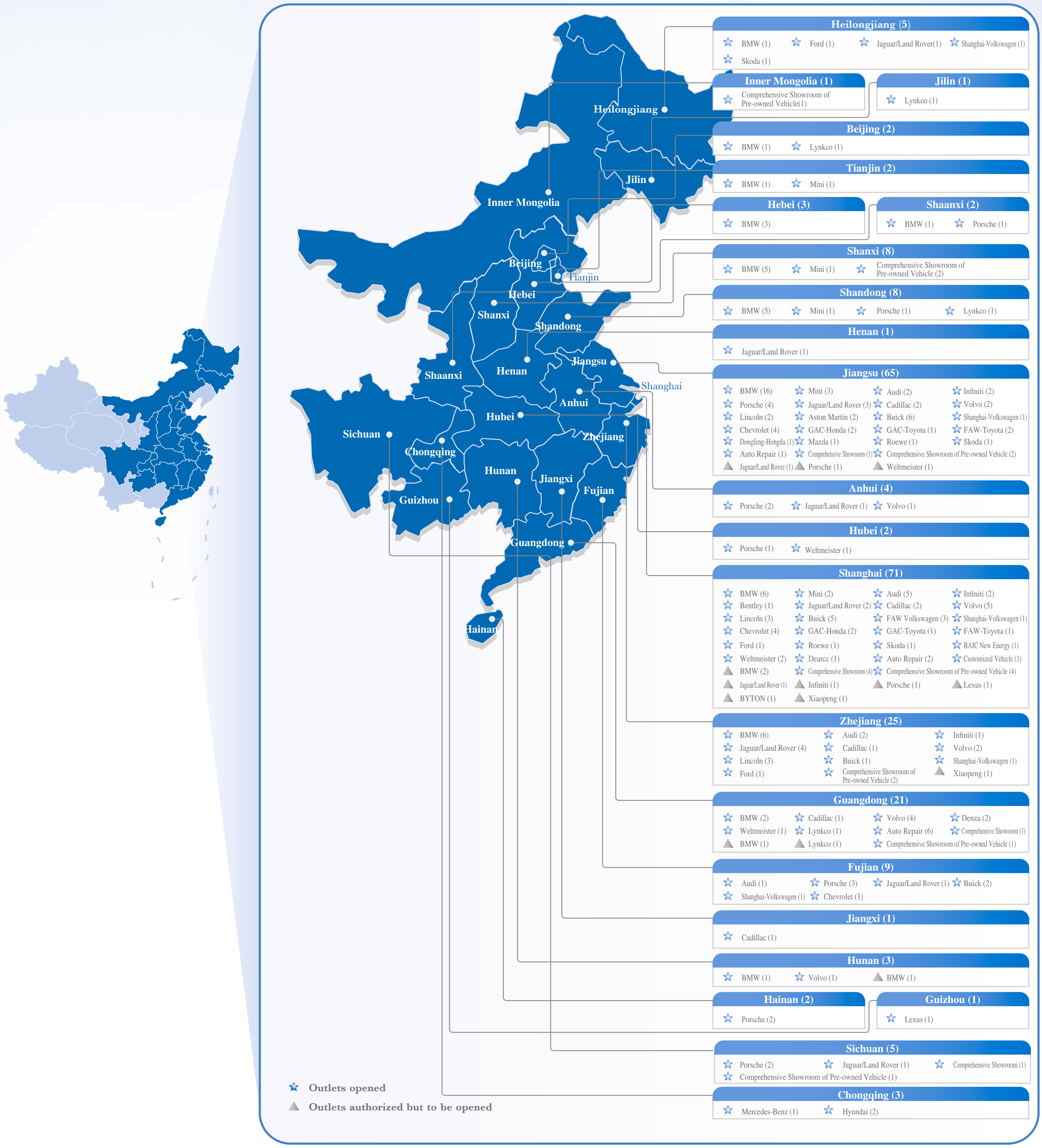
In the first half of 2019, we opened 8 new passenger vehicles sales and services outlets focusing on luxury and ultra-luxury brands, including two Porsche 4S dealerships, three Volvo 4S dealerships, one Lincoln 4S dealership, one Lynkco 4S dealership and one Porsche city showroom.

In the first half of 2019, in respect of new outlets authorizations, we obtained authorization to open 8 new passenger vehicles sales and services outlets focusing on luxury and ultra-luxury brands, including one Porsche 4S dealership, three BMW 4S dealerships, one Jaguar/Land Rover 4S dealership, one BYTON 4S dealership and two Xiaopeng 4S dealerships.

In the first half of 2019, we continued to operate our extensive network with the Yangtze River Delta as the center and have expanded our network to other regions in China, such as Northern China, Central China, Southwest China and Southern China. As of June 30, 2019, our total number of outlets that were opened and authorized outlets to be opened amounted to 245. Such outlets spread all over 4 municipalities and 19 provinces in China, including 201 opened manufacturer authorized outlets, 29 opened non-manufacturer authorized outlets and 15 manufacturer authorized outlets to be opened. Set out below are the details of our outlets as at June 30, 2019:

	Opened outlets	Authorized outlets to be opened	Total
4S dealerships of luxury and ultra-luxury brands	117	10	127
4S dealerships of mid- to high-end brands	62	5	67
City showrooms of luxury brands	17	0	17
Authorized service centers of luxury brands	3	0	3
Authorized certified pre-owned vehicle center of luxury brands	2	0	2
Subtotal of outlets authorized by the manufacturers	**201**	**15**	**216**
"Auto Repair" maintenance centers of luxury automobiles	9	–	9
Comprehensive showrooms of passenger vehicles	7	–	7
Yongda Pre-owned Vehicle Malls	13	–	13
Subtotal of non-manufacturer authorized outlets	**29**	**–**	**29**
Total outlets	**230**	**15**	**245**

Management Discussion & Analysis



Continuously Improved Management

In recent years, the domestic automobile sales service industry entered into a new phase along with the new changes in the market situation. Facing the new industry trends, new consumer groups and new technologies, and by virtue of more than 20 years of experience in the automobile service industry, the Company has kept pace with the times, optimized and adjusted operation and management strategies timely according to the market situation, actively responded to various changes and challenges, and sought enhancement and breakthrough in innovations in management.

Customer Orientation: The Company upholds the belief that all business operations in the future should put customers first and based on the demands of customers. On the one hand, during the course of business operation, management was shifted for supporting front-line team to better serve customers, the management procedures have been optimized for improving the service quality; on the other hand, customized brand service was introduced to our customers, realizing worry-free service from automobile usage, maintenance to upgrading and updating after acquisition. By virtue of the foregoing measures, the Company will further implement the strategic orientation with customers as focus in the future, and prepare for the transformation and upgrade of the industry.

Organization Development: In terms of management, the Company delegated authorization of operation and management to brand department and entities and empowered the front-line business team to enable it to more flexibly respond to the ever-changing market. For those entities located in different districts and of different types, the Group adopted differentiated management mode to fully motivate the initiative of operation and management teams of the entities. Meanwhile, the Company has constantly increased the cultivation of echelon management teams in recent years, initially built the management echelon array with generations after 70s, 80s and 90s by virtue of echelon building of our young talents, especially the ones after 90s, satisfying the young characteristics and consumption trend of our customer base, which laid a good foundation for our future business development.

Brand Building: The Company has firmly upheld our position as a dealership group of luxury automobiles in the PRC and committed to building Yongda Automobiles as the domestic leading automobile service brand. With our industry experience of over 20 years and persistence in conducting business with integrity, we provide consumers the best quality products and services, gaining good recognition in the industry; additionally, we persistently improve the internal compliance governance and integrity construction, build a shining, fair and good operation and management culture, form an operation and management team with good integrity and take customers as the core, to strive to build our brand image as “an automobile services expert by your side”.

Digital Reform: The Company’s digital construction entered into a substantial phase this year, the digital operation platform was formally entered into the promotion phase and the smart retail sales will also achieve connection with digital operation platform and comprehensive promotion. By developing a smart retail system to build a high-speed and smooth bridge between enterprises and customers, the Company will utilize the convenient mobile interaction to enhance users’ experience; respond to each customer’s demand for vehicle usage in real time through the member operation system; secure the business and operation safety and ensure the stable operation through the integrated business and finance platform; and manage and analyze all data and business processes through the Yongda big data center, to finally realize the Company’s digital management transformation and upgrade.

FINANCIAL REVIEW

Revenue

Revenue was RMB29,105.8 million for the six months ended June 30, 2019, a 16.8% increase from RMB24,919.7 million for the six months ended June 30, 2018, which was primarily due to the growth of sales of luxury and ultra-luxury passenger vehicles and after-sales services. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	For the six months ended June 30,					
	2019			2018		
	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	**20,169,442**	**60,981**	**331**	16,906,044	49,082	344
Mid- to high-end brands	**4,312,959**	**33,782**	**128**	3,970,412	31,295	127
Subtotal	**24,482,401**	**94,763**	**258**	20,876,456	80,377	260
After-sales services	**4,244,347**	**–**	**–**	3,699,781	–	–
Automobile rental services	**224,286**	**–**	**–**	190,511	–	–
Proprietary finance business	**246,373**	**–**	**–**	245,488	–	–
Less: inter-segment eliminations	**(91,608)**	**–**	**–**	(92,552)	–	–
Total	**29,105,799**	**–**	**–**	24,919,684	–	–

The sales volume of passenger vehicles of the passenger vehicle sales and services segment was 94,763 units for the six months ended June 30, 2019, a 17.9% increase from 80,377 units for the six months ended June 30, 2018, among which the sales volume of luxury and ultra-luxury brand passenger vehicles for the six months ended June 30, 2019 was 60,981 units, a 24.2% increase from 49,082 units for the six months ended June 30, 2018.

Revenue of sales of passenger vehicles from the passenger vehicle sales and services segment was RMB24,482.4 million for the six months ended June 30, 2019, a 17.3% increase from RMB20,876.5 million for the six months ended June 30, 2018, among which the revenue from luxury and ultra-luxury brand passenger vehicle sales was RMB20,169.4 million for the six months ended June 30, 2019, a 19.3% increase from RMB16,906.0 million for the six months ended June 30, 2018.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB4,244.3 million for the six months ended June 30, 2019, a 14.7% increase from RMB3,699.8 million for the six months ended June 30, 2018.

Revenue from the automobile rental services segment was RMB224.3 million for the six months ended June 30, 2019, a 17.7% increase from RMB190.5 million for the six months ended June 30, 2018.

Revenue from the proprietary finance business segment was RMB246.4 million for the six months ended June 30, 2019, a 0.4% increase from RMB245.5 million for the six months ended June 30, 2018.

Cost of Sales and Services

Cost of sales and services was RMB26,333.7 million for the six months ended June 30, 2019, a 17.9% increase from RMB22,333.9 million for the six months ended June 30, 2018, primarily due to the increase in the cost of sales and cost of after-sales service of luxury and ultra-luxury passenger vehicles.

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB23,897.6 million for the six months ended June 30, 2019, a 18.1% increase from RMB20,242.9 million for the six months ended June 30, 2018, which was a slightly higher growth than the growth in our revenue from passenger vehicle sales.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB2,288.0 million for the six months ended June 30, 2019, a 15.4% increase from RMB1,982.7 million for the six months ended June 30, 2018, which was generally in line with the growth in our revenue from after-sales services.

Cost of services for the automobile rental services segment was RMB163.2 million for the six months ended June 30, 2019, a 15.9% increase from RMB140.8 million for the six months ended June 30, 2018, which was a slightly lower growth than the growth in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB91.4 million for the six months ended June 30, 2019, a 11.0% increase from RMB82.4 million for the six months ended June 30, 2018, which was a higher growth than the growth in our revenue from the proprietary finance business segment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB2,772.1 million for the six months ended June 30, 2019, a 7.2% increase from RMB2,585.8 million for the six months ended June 30, 2018. Gross profit margin decreased to 9.52% for the six months ended June 30, 2019 from 10.38% for the six months ended June 30, 2018.

Gross profit from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB584.8 million for the six months ended June 30, 2019, a 7.7% decrease from RMB633.6 million for the six months ended June 30, 2018. Gross profit margin for the sales of passenger vehicle decreased to 2.39% for the six months ended June 30, 2019 from 3.03% for the six months ended June 30, 2018.

Gross profit for after-sales services of the passenger vehicle sales and services segment was RMB1,956.3 million for the six months ended June 30, 2019, a 13.9% increase from RMB1,717.1 million for the six months ended June 30, 2018. Gross profit margin for after-sales services was 46.09% for the six months ended June 30, 2019, which was generally in line with that of 46.41% for the six months ended June 30, 2018.

Gross profit from the automobile rental services segment was RMB61.1 million for the six months ended June 30, 2019, a 23.0% increase from RMB49.7 million for the six months ended June 30, 2018. For the six months ended June 30, 2019, gross profit margin for automobile rental services was 27.24%, a slight increase from 26.07% for the six months ended June 30, 2018.

Gross profit from the proprietary finance business segment for the six months ended June 30, 2019 was RMB155.0 million, a 5.0% decrease from RMB163.1 million for the six months ended June 30, 2018. Gross profit margin for proprietary finance business segment decreased from 66.45% for the six months ended June 30, 2018 to 62.89% for the six months ended June 30, 2019.

Other Income and Other Gains and Losses

Other income and other gains and losses were RMB580.3 million for the six months ended June 30, 2019, a 21.8% increase from RMB476.3 million for the six months ended June 30, 2018. The increase was primarily due to the fact that revenue of our after-market finance and insurance agency related services of the passenger vehicle sales and services segment amounted to RMB532.3 million for the six months ended June 30, 2019, a 14.0% increase from RMB467.0 million for the six months ended June 30, 2018.

Distribution and Selling Expenses and Administrative Expenses

Distribution and selling expenses and administrative expenses were RMB1,946.8 million in total for the six months ended June 30, 2019. In accordance with the International Financial Reporting Standard 16 ("IFRS 16"), there was a decrease in distribution and selling expenses and administrative expenses of RMB38.2 million for the six months ended June 30, 2019. After factoring in the impact of IFRS 16, distribution and selling expenses and administrative expenses were RMB1,985.0 million in total for the six months ended June 30, 2019, an increase of 12.7% from RMB1,761.6 million for the six months ended June 30, 2018, which was primarily due to the expansion of our sales and services network and sales scale. In terms of percentage of revenue, after factoring in the impact of IFRS 16, the percentage of our distribution and selling expenses and administrative expenses in total for the six months ended June 30, 2019 decreased to 6.82% from 7.07% for the six months ended June 30, 2018.

Operating profit

As a result of the foregoing, operating profit for the six months ended June 30, 2019 was RMB1,405.5 million, an increase of 8.1% compared with RMB1,300.5 million for the six months ended June 30, 2018.

Finance Costs

Finance costs were RMB376.5 million for the six months ended June 30, 2019. In accordance with IFRS 16, there was an increase in finance cost of RMB47.0 million for the six months ended June 30, 2019. After excluding the impact of IFRS 16, finance costs were RMB329.5 million for the six months ended June 30, 2019 , an increase of 5.5% from RMB312.4 million for the six months ended June 30, 2018, which was primarily due to the increased average finance balance as a result of the expansion in sales and services network and business scale. In terms of percentage of revenue, after excluding the impact of IFRS 16, the percentage of finance costs decreased from 1.25% for the six months ended June 30, 2018 to 1.13% for the six months ended June 30, 2019.

Profit before Tax

As a result of the foregoing, profit before tax was RMB1,056.4 million for the six months ended June 30, 2019, a 4.3% increase from RMB1,012.5 million for the six months ended June 30, 2018.

Income Tax Expenses

Income tax expenses were RMB274.1 million for the six months ended June 30, 2019, a 13.1% increase from RMB242.3 million for the six months ended June 30, 2018. Our effective income tax rate was 25.9% for the six months ended June 30, 2019, a slight increase compared with that of 23.9% for the six months ended June 30, 2018.

Profit

As a result of the foregoing, profit was RMB782.3 million for the six months ended June 30, 2019, a 1.6% increase from RMB770.2 million for the six months ended June 30, 2018.

Profit Attributable to the Owners of the Company

As a result of the foregoing, profit attributable to the owners of the Company was RMB734.1 million for the six months ended June 30, 2019, a 1.5% increase from RMB723.4 million for the six months ended June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are payment for purchases of passenger vehicles, spare parts and accessories, funding of our working capital and ordinary recurring expenses, funding of the capital expenditures in connection with the establishment and acquisition of new outlets, expansion of our proprietary finance business, and repayment of our indebtedness. We maintain our liquidity through a combination of cash flows generated from operating activities, capital injections, issuance of bonds, bank loans and other borrowings. In the future, we believe that our capital expenditures and liquidity requirements are expected to be satisfied by using a combination of cash flows generated from our operating activities, bank loans and other borrowings, as well as funds raised from the capital markets from time to time.

For the six months ended June 30, 2019, our net cash from operating activities was RMB2,977.0 million, of which the net cash generated from operating activities of automobile sales and services business was RMB2,476.2 million, and the net cash generated from operating activities of proprietary finance business was RMB500.8 million. For the six months ended June 30, 2018, our net cash generated from operating activities was RMB461.3 million, of which the net cash generated from operating activities of automobile sales and services business was RMB445.8 million, and the net cash generated from operating activities of proprietary finance business was RMB15.5 million. Compared to the six months ended June 30, 2018, our net cash generated from operating activities of automobile sales and services business increased by RMB2,030.4 million, and the net cash generated from operating activities of proprietary finance business increased by RMB485.3 million as a result of the total control over the newly added interest-bearing assets.

For the six months ended June 30, 2019, our net cash used in investment activities was RMB644.1 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB1,026.8 million, which was partially offset by the proceeds from the disposal of property, plant and equipment of RMB234.1 million. For the six months ended June 30, 2018, our net cash used in investing activities was RMB755.7 million.

For the six months ended June 30, 2019, our net cash used in financing activities was RMB1,523.7 million, which mainly included the proceeds from bank loans and other borrowings of RMB14,293.7 million, which was partially offset by the repayment of bank loans and other borrowings of RMB13,699.0 million, the repayment of super short-term commercial papers of RMB1,300.0 million, the payment of interest of RMB298.9 million and the payment of dividends of RMB413.7 million. For the six months ended June 30, 2018, our net cash generated from financing activities was RMB538.3 million.

Inventories

Our inventories mainly include passenger vehicles and spare parts and accessories.

Our inventories were RMB4,757.1 million as of June 30, 2019, a 18.4% decrease from RMB5,829.5 million as of December 31, 2018. The following table sets forth our average inventory turnover days for the periods indicated:

	For the six months ended June 30,	
	2019	2018
Average inventory turnover days[1]	**36.7**	54.2

Note:

(1) The average inventory turnover days is the average of opening and closing inventories balances divided by the cost of sales and services for that period and multiplied by 365 days and then divided by 2.

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights and intangible assets (vehicle licences), which was partially offset by the proceeds from the disposal of property, plant and equipment. For the six months ended June 30, 2019, our total capital expenditures were RMB792.7 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	For the six months ended June 30, 2019 *(in RMB millions)*
Expenditures on purchase of property, plant and equipment – test-drive automobiles and vehicles for operating lease and travelling services purposes	626.5
Expenditures on purchase of property, plant and equipment – primarily used for establishing new automobile sales and service outlets	392.1
Expenditures on purchase of intangible assets (vehicle licences)	8.2
Proceeds from the disposal of property, plant and equipment (mainly test-drive automobiles and vehicles for operating lease purposes)	(234.1)
Total	792.7

Borrowings and Bonds

We obtained borrowings consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers and issued bonds to fund our working capital and network expansion demand. As of June 30, 2019, the outstanding amount of our borrowings and bonds amounted to RMB12,650.3 million, a 5.5% decrease from RMB13,389.0 million as of December 31, 2018. The following table sets forth the maturity profile of our borrowings and bonds as of June 30, 2019:

	As of June 30, 2019 *(in RMB millions)*
Within one year	10,166.6
One to two years	764.2
Two to five years	1,719.5
Total	12,650.3

As of June 30, 2019, our net gearing ratio (being net liabilities divided by total equity) was 101.0% (as of December 31, 2018: 119.0%). Net liabilities represent borrowings, super short-term commercial papers and corporate bonds minus cash and cash equivalents.

As of June 30, 2019, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2019 consisted of (i) inventories of RMB903.7 million; (ii) property, plant and equipment of RMB116.7 million; (iii) land use rights of RMB102.2 million; and (iv) equity interests of the subsidiaries of RMB764.0 million.

Contingent Liabilities

As of June 30, 2019, we did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Certain of our borrowings were floating rate borrowings that are linked to the benchmark rates of the People's Bank of China and LIBOR. Increases in interest rates could result in an increase in our cost of borrowing, which in turn could adversely affect our finance costs, profit and our financial condition. We currently use derivative financial instruments to hedge our foreign exchange interest rate risk.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of June 30, 2019, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we used derivative financial instruments to hedge our exposure to foreign exchange risk.

FUTURE OUTLOOK AND STRATEGIES

In the first half of 2019, the uncertainties of the global political and economic layout further intensified. The overall retail market of China's passenger vehicles continued to maintain a polarized development trend driven by industrial restructuring and consumption promotion policies, among which luxury brand automobiles maintained a strong and contrarian growth momentum. This indicates that China's automobile market will transform from quantitative growth to qualitative growth for a certain period in the future, and the consumption structure will continue to be upgraded and optimized. The demand for luxury brand automobile upgrade and consumption will become the driving force for the continued quality growth of the automobile market with its market share increasing year by year, thereby also driving a new round of rapid and continuing growth of automobile after-sales, automobile finance service and pre-owned vehicle replacement and sales. As a result, it is expected that the performance of luxury brand automobile dealers in the PRC will be significantly better than the overall industry level. In the short run, the increase in proportion of luxury brand automobile and the new cycle of upgrading of new models will bring significant improvement in the gross profit margin of new vehicles; in the medium to long run, the continuous growth of after-sales service and financial penetration rate will also bring new driving forces of profit growth.

We will firmly uphold our position as a dealership group of luxury automobiles and continue to develop the business of the sales and services of luxury and ultra-luxury automobiles brands. We will also foster three potential industry segments of "pre-owned vehicles, automobile finance and new energy" to develop independently in the direction of standardisation and marketization, forming an industrial structure of one plus three, and a layout of mutual complementing, synergy and promotion.

In terms of our automobile sales service business, we will continue to build our national outlet network steadily by selectively self-building or merger and acquisition. For existing operating outlets, we will enhance the operational quality and energy efficiency by optimizing the brand structure, strengthening various refined management measures, and the Internet's "smart retail" technology transformation. In addition, our production capacity of the after-sales services will be continuously improved through the reform of the workshop capacity and the expansion of satellite service outlets.

In terms of our pre-owned vehicle business, we will take the channel advantages, continuously enhance our capabilities in pre-owned vehicle replacement and branded pre-owned vehicle retails, and actively implement synergy and empowerment strategies with OEMs, dealer groups, operating automobile rental companies and finance leasing companies. We will master our multi-vehicle source and strengthen the operation capacity of offline outlets by professional service solutions of vehicle residue value management and professional disposal, and strengthen online attraction to form a business model of "pre-owned vehicles + Internet + chain outlet + finance".

In terms of our finance business, we will constantly take into consideration of introducing strategic investment institutions to promote the finance business restructuring plan. We will promote the alliance business model, and position to help dealers to promote the development of their main business via finance, further developing new profit growth points in the finance and insurance business and building a professional automobile finance service platform. We will continue to adhere to the concept of sound asset management, promote the innovative product strategy of asset-finance integration and insist on the investment of research and development in finance technology, forming a new finance development model in line with the future trend of the automobile industry.

In terms of our new energy business, we will plan to closely cooperate with current global major brand vehicle manufacturers and the emerging independent brands of new energy vehicle manufacturers to increase market share in the sales and services business of new energy vehicles, proactively developing the comprehensive new energy vehicle chain after-sales service outlets and the new energy travel service.

We will adhere to the principle of cultural inheritance and innovation. We are always positioned to deepen China's automobile sales service market. On the one hand, we will adhere to the strategic development concept of taking customers as our most important assets, forming an integrated service system with customer experience as our focus, and are committed to building service professionalism and reputation in the industry; on the other hand, we will energetically push through the digital transformation and smart retail system construction echoing the big data smart application trend, so as to ensure the sustainable development of the business as well as to realize a multi-win situation among our shareholders, employees, customers as well as the community.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this interim report, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On(1)	Founder of a discretionary trust	393,909,500 (long position)	21.414
	Interest of controlled corporation	206,080,000 (long position)	11.203
	Beneficial owner	9,303,000 (long position)	0.506
Mr. CAI Yingjie(2)	Interest of controlled corporation	89,288,000 (long position)	4.854
	Beneficial owner	674,500 (long position)	0.037
Mr. WANG Zhigao(3)	Interest of controlled corporation	37,660,000 (long position)	2.047
	Beneficial owner	910,500 (long position)	0.050
Mr. XU Yue(4)	Beneficial owner	2,770,000 (long position)	0.151
Ms. CHEN Yi	Beneficial owner	1,842,000 (long position)	0.100

Notes:

(1) (i) Mr. CHEUNG Tak On is the settlor and protector of a discretionary trust of which HSBC International Trustee Limited acts as its trustee and the beneficiaries of which are Mr. CHEUNG Tak On and certain of his family members (the "Family Trust"). Palace Wonder Company Limited (栢麗萬得有限公司) ("Palace Wonder") is wholly-owned by Regency Valley Company Limited (麗晶萬利有限公司) ("Regency Valley"), which is in turn wholly-owned by HSBC International Trustee Limited, as the trustee of the Family Trust. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 393,909,500 shares held by Palace Wonder.

(ii) Asset Link Investment Limited ("Asset Link") is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 206,080,000 shares held by Asset Link.

(iii) Mr. CHEUNG Tak On also holds 9,303,000 shares of the Company as beneficial owner.

(2) Mr. CAI Yingjie holds 100% of the issued share capital of Ample Glory International Investment Company Limited ("Ample Glory") and he is deemed to be interested in the 89,288,000 shares held by Ample Glory. He also holds 674,500 shares of the Company as beneficial owner.

(3) Mr. WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited ("Golden Rock") and he is deemed to be interested in the 37,660,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.

(4) Mr. XU Yue holds 2,770,000 shares of the Company as beneficial owner and has an interest in 2,400,000 underlying shares of the Company in respect of the share options granted under the share option scheme adopted on 10 October 2013.

Long positions in underlying shares of the Company

Number of Director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital (%)
Mr. XU Yue	Beneficial owner	2,400,000	0.130
Mr. WANG Liqun	Beneficial owner	200,000	0.011
Mr. LYU Wei	Beneficial owner	200,000	0.011
Ms. ZHU Anna Dezhen	Beneficial owner	200,000	0.011

Save as disclosed above, as at the date of this interim report, none of the directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this interim report, to the best of knowledge of the Company and the directors, the followings are the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Interests in the shares and underlying shares of the Company

Name of Shareholder	Capacity/ Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Palace Wonder[(1)]	Beneficial owner	393,909,500 (long position)	21.414
Regency Valley[(1)]	Interest of controlled corporation	393,909,500 (long position)	21.414
HSBC International Trustee Limited[(1)]	Trustee	393,914,500 (long position)	21.415
Asset Link[(2)]	Beneficial owner	206,080,000 (long position)	11.203

Notes:

(1) Palace Wonder is wholly-owned by Regency Valley, which is in turn wholly-owned by HSBC International Trustee Limited as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. CHEUNG Tak On as settlor and protector with HSBC International Trustee Limited appointed as trustee on April 5, 2012. The beneficiary objects of the Family Trust are Mr. CHEUNG Tak On and certain of his family members. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 393,909,500 shares held by Palace Wonder.

(2) Asset Link is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 206,080,000 shares held by Asset Link.

Save as disclosed above, as at the date of this interim report, the directors and the chief executives of the Company were not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above or otherwise disclosed in this interim report, at no time during the reporting period and up to the date of this interim report was the Company or any of its subsidiaries, a party to any arrangement that would enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

ISSUANCE OF DEBT SECURITIES

On November 2, 2016, Shanghai Yongda Investment Holdings Group Co., Limited (上海永達投資控股集團有限公司) ("Yongda Investment") issued the first tranche corporate bonds of 2016 in the PRC with an aggregate principal amount of RMB2.0 billion for the purpose of raising funds for repayment of bank loans and as working capital of Yongda Investment and its subsidiaries. As at the date of this interim report, the aggregated principal amount of the first tranche corporate bonds of 2016 remains outstanding. For further details, please refer to the announcements of the Company dated October 31, 2016 and November 3, 2016, and note 18 to the Condensed Consolidated Financial Statements.

On June 28, 2018, Yongda Investment issued the third tranche super short-term commercial papers of 2018 in the PRC with an aggregate principal amount of RMB0.5 billion and interest rate of 7.3% per annum for the purpose of repayment of debts of Yongda Investment. As at the date of this interim report, the third tranche super short-term commercial papers of 2018 have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017 and June 28, 2018, and note 17 to the Condensed Consolidated Financial Statements.

On November 30, 2018, Yongda Investment issued the fourth tranche super short-term commercial papers of 2018 in the PRC with an aggregate principal amount of RMB0.5 billion and interest rate of 6.7% per annum for the purpose of repayment of debts of Yongda Investment. As at the date of this interim report, the fourth tranche super short-term commercial papers of 2018 have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017 and November 30, 2018, and note 17 to the Condensed Consolidated Financial Statements.

On December 14, 2018, Yongda Investment issued the fifth tranche super short-term commercial papers of 2018 in the PRC with an aggregate principal amount of RMB0.3 billion and interest rate of 6.5% per annum for the purpose of repayment of debts of Yongda Investment. As at the date of this interim report, the fifth tranche super short-term commercial papers of 2018 have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017 and December 17, 2018, and note 17 to the Condensed Consolidated Financial Statements.

POSSIBLE DISPOSAL OF CERTAIN SUBSIDIARIES OF THE GROUP

On February 20, 2019, the Company announced that it is in discussion with a consortium of investors in relation to a potential transaction which may lead to the disposal of possibly more than 50% of its equity interest in its automobile finance business which comprises of certain of its subsidiaries, including Shanghai Yongda Information Technology Group Co., Ltd. (上海永達信息技術集團有限公司). The discussions were preliminary in nature and no binding agreements have been entered into regarding the potential transaction as of the date of this interim report. For details, please refer to the announcement of the Company dated February 20, 2019. The discussions may or may not lead to the entering into of any definitive agreement and the potential transaction may or may not proceed as contemplated or at all.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at June 30, 2019, we had 12,606 employees (including employees from every region of the Group). The remuneration of our employees includes salaries and allowances. We also provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our directors, and the directors' remuneration are subject to shareholders' approval at a general meeting of the Company. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of our Group.

SHARE OPTION SCHEME

The Company has adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on October 10, 2013 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Eligible persons include (a) any director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of the Group; (b) any supplier of the Group; (c) any customer of the Group; (d) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group; (e) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (f) any joint venture partner, business or strategic alliance partner, in each case, of any member of the Group; and (g) any discretionary trust whose discretionary objects may be any person belonging to any of the above classes (a) to (f) (the "Eligible Persons"). The Share Option Scheme shall be valid and effective for a period of 10 years commencing from October 10, 2013, being the date on which the shareholders of the Company approved the Share Option Scheme, and shall expire on October 13, 2023, after which period no further share option shall be granted.

Under the Share Option Scheme, the remuneration committee of the Company (the "Remuneration Committee") will from time to time propose for the Board's approval for grant of share options and the number of share options to be granted to the relevant grantees. The aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any new share option scheme of the Company which may be adopted hereafter must not, in aggregate, exceed 10 per cent of the total number of shares in issue as at the date of adoption of the Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time.

No option shall be granted to any Eligible Person if, at the relevant time of grant, the number of shares issued and to be issued upon exercise of all share options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1 per cent of the total number of shares in issue at such time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting of the Company.

The subscription price of share options is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of offer of the share options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of a share of the Company.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of a grant. Unless the Board determines otherwise, there is no minimum period for which an option must be held before it can be exercised. The Board shall specify in an offer letter a date by which a grantee must accept an offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of the option price of RMB1.00 shall be made upon acceptance of the offer.

On July 26, 2016, the Company cancelled the outstanding share options previously granted to certain individuals (the "Existing Grantees") to subscribe for a total of 29,700,000 shares at the exercise price of HK$6.950 per share with validity period from December 30, 2013 to December 29, 2018. On the same day, the Company granted a total of 35,000,000 share options under the Share Option Scheme to the Existing Grantees, subject to their acceptance of cancellation of the outstanding options, and certain new grantees at the exercise price of HK$3.780 per share. On June 19, 2017, the Company granted a total of 10,500,000 share options under the Share Option Scheme to the certain grantees at the exercise price of HK$8.140 per share.

Further details of the Share Option Scheme are set out in the circular of the Company dated September 5, 2013, announcements of the Company dated July 26, 2016 and June 19, 2017, and note 20 to the Condensed Consolidated Financial Statements.

Details of movements in the options granted under the Share Option Scheme during the six months ended June 30, 2019 are as follows:

	Number of Share Options										Price of the Company's shares immediately before the grant date of options	Weighted average closing price of the Company's shares	
Category and name of grantee	As at January 1, 2019	Granted during the year	Forfeited during the year	Exercised during the year	Lapsed during the year	Expired during the year	As at June 30, 2019	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$ per share*	*HK$ per share*	Immediately before the exercise date *HK$ per share*	At exercise date of options *HK$ per share*
Executive Director													
XU Yue	2,400,000	–	–	–	–	–	2,400,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Non-executive Director													
WANG Liqun	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Independent Non-executive Directors													
LYU Wei	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
ZHU Anna Dezhen	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Other Employees in aggregate	11,049,500	–	–	663,500	–	–	10,386,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	6.7430	6.9339
	10,300,000	–	–	–	600,000	–	9,700,000	June 19, 2017	June 19, 2017 to June 19, 2022	8.140	8.020	–	–
Other grantees/ participants in aggregate*	400,000	–	–	–	–	–	400,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–

* Mr. WANG Zhiqiang is interested in 200,000 share options granted to him by the Company, representing 0.011% of the total issued share capital of the Company. On May 8, 2015, Mr. WANG Zhiqiang resigned as an independent non-executive Director. Mr. CHEN Xianglin is interested in 200,000 share options granted to him by the Company, representing 0.011% of the total issued share capital of the Company. On January 1, 2019, Mr. CHEN Xianglin resigned as an independent non-executive Director.

AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

Our employee pre-IPO incentive scheme (the "Employee Pre-IPO Incentive Scheme"), the details of which are set out in the paragraph headed "Employee Pre-IPO Incentive Scheme" in Appendix IV to our prospectus dated June 29, 2012, was conditionally approved and adopted by a resolution of the directors on April 3, 2012. Any employees, directors (other than independent non-executive directors) and members of the senior management of the Company, but excluding (a) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (b) any other person that the Board may determine from time to time, may participate in this scheme.

The Remuneration Committee has full power and authority to (a) propose, select or determine which beneficiary is entitled to an award; (b) determine the amount of the award for each selected beneficiary; and (c) make the relevant award to the beneficiaries under the Employee Pre-IPO Incentive Scheme. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited ("HSBC HK Trustee") via special purpose vehicle under the Employee Pre-IPO Incentive Scheme (the "Scheme Shares") will be distributed to the beneficiary, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme. Under the Pre-IPO Employee Incentive Scheme, the total number of Shares underlying the restricted Shares to be granted from time to time must not be, in any event, exceed 5% of the number of the Shares in issue on such date without the Board's prior approval.

Unless terminated earlier by a resolution of the Board made in accordance with the terms of the trust deed, the Employee Pre-IPO Incentive Scheme has a term of 80 years from the listing date of the Company. On termination of the Employee Pre-IPO Incentive Scheme, HSBC HK Trustee will transfer the Scheme Shares to Shanghai Yongda Holding (Group) Limited ("Yongda Holding"), unless the board of directors of Yongda Holding request the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of HSBC HK Trustee, the articles of association of the Company and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

On August 30, 2013, the Board resolved to amend the Employee Pre-IPO Incentive Scheme (the "Amended Scheme") to the effect that, in addition to the previously allowed cash awards, awards of restricted shares could be granted to eligible persons pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) and member of the senior management of the Group, but excluding (i) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (ii) any other person that the Board may determine from time to time. For further details of the amendments to the Employee Pre-IPO Incentive Scheme, please refer to the announcement of the Company dated August 30, 2013.

During the six months ended June 30, 2019, awards of approximately 2,667,000 restricted shares have been granted to eligible persons pursuant to the terms of the Amended Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2019.

CHANGES IN DIRECTORATE AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Changes in directorate and information of directors and senior management of the Company, which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules are as follows:

Name of director	Details of changes in position/particulars
LYU Wei	Ceased to serve as an independent non-executive director of China Minsheng Financial Holding Corporation Limited (SEHK Stock Code: 00245) with effect from June 28, 2019

Save as disclosed above, the directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. No changes to the senior management during the six months ended June 30, 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules and has complied with the code provisions under the CG Code during the six months ended June 30, 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2019.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

AUDIT AND COMPLIANCE COMMITTEE

The audit and compliance committee of the Company (the "Audit and Compliance Committee") has three members comprising three independent non-executive directors, being Ms. ZHU Anna Dezhen (chairman), Mr. LYU Wei and Mr. MU Binrui, with terms of reference in compliance with the Listing Rules.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2019. The Audit and Compliance Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No events after the reporting period need to be brought to the attention of the shareholders of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2019 (for the six months ended June 30, 2018: nil) to the shareholders of the Company.

By order of the Board
China Yongda Automobiles Services Holdings Limited
CHEUNG Tak On
Chairman

Hong Kong, August 27, 2019

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 84, which comprise the condensed consolidated statement of financial position as of June 30, 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 27, 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2019

	NOTES	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue			
Goods and services	3A	**28,640,792**	24,490,711
Rental		**224,286**	188,660
Interests		**240,721**	240,313
Total revenue	3B	**29,105,799**	24,919,684
Cost of sales and services		**(26,333,711)**	(22,333,932)
Gross profit		**2,772,088**	2,585,752
Other income and other gains and losses	4	**580,266**	476,316
Distribution and selling expenses		**(1,216,925)**	(1,147,771)
Administrative expenses		**(729,880)**	(613,795)
Profit from operations		**1,405,549**	1,300,502
Share of profits of joint ventures		**5,354**	3,010
Share of profits of associates		**21,995**	21,327
Finance costs	5	**(376,536)**	(312,389)
Profit before tax	6	**1,056,362**	1,012,450
Income tax expense	7	**(274,105)**	(242,280)
Profit for the period		**782,257**	770,170
Profit for the period attributable to:			
Owners of the Company		**734,132**	723,372
Non-controlling interests		**48,125**	46,798
		782,257	770,170
Earnings per share – basic	9	**RMB0.40**	RMB0.39
Earnings per share – diluted	9	**RMB0.40**	RMB0.39

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2019

		Six months ended June 30,	
	NOTES	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period		**782,257**	770,170
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		**(1,314)**	(6,668)
Total comprehensive income for the period		**780,943**	763,502
Total comprehensive income for the period attributable to:			
Owners of the Company		**732,818**	716,704
Non-controlling interests		**48,125**	46,798
		780,943	763,502

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	NOTES	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	5,817,536	5,402,463
Prepaid lease payments		–	1,329,129
Right-of-use assets	10	2,724,235	–
Goodwill		977,146	977,146
Other intangible assets		1,562,696	1,576,695
Deposits paid for acquisition of property, plant and equipment		93,419	78,832
Deposits paid for acquisition of land use rights		59,894	59,894
Deposits paid for acquisition of an associate		525	525
Equity instruments at FVTOCI	22	8,013	9,327
Financial assets at fair value through profit or loss ("FVTPL")	22	363,254	403,632
Interests in joint ventures		93,977	97,083
Interests in associates		448,061	441,070
Finance lease receivables	11	1,103,937	1,744,000
Loan receivables	12	51,230	86,175
Amount due from a related party	23	37,199	35,471
Deferred tax assets		210,713	195,858
Other assets	14	30,000	30,000
		13,581,835	12,467,300
Current assets			
Prepaid lease payments		–	42,762
Inventories	13	4,757,129	5,829,495
Finance lease receivables	11	2,146,250	1,877,661
Loan receivables	12	282,743	427,866
Trade and other receivables	14	6,030,896	6,186,355
Amounts due from related parties	23	104,254	117,995
Cash in transit		308,072	216,968
Time deposits		6,713	38,600
Restricted bank balances		2,006,032	1,754,453
Bank balances and cash		2,865,335	2,056,208
		18,507,424	18,548,363

(continued)

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	NOTES	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Current liabilities			
Trade and other payables	*15*	**5,410,502**	5,503,881
Amounts due to related parties	*23*	**4,528**	4,113
Income tax liabilities		**609,816**	477,152
Borrowings	*16*	**8,168,807**	9,259,896
Contract liabilities		**1,552,616**	1,565,693
Corporate bonds	*18*	**1,997,769**	1,994,422
Lease liabilities		**163,163**	–
Super short-term commercial papers	*17*	**–**	1,298,665
Derivative financial liabilities		**980**	10,984
		17,908,181	20,114,806
Net current assets (liabilities)		**599,243**	(1,566,443)
Total asset less current liabilities		**14,181,078**	10,900,857
Non-current liabilities			
Borrowings	*16*	**2,483,706**	836,033
Lease liabilities		**1,399,076**	–
Other liabilities	*15*	**50,812**	67,304
Deferred tax liabilities		**512,388**	477,533
Derivative financial liabilities		**48,143**	–
		4,494,125	1,380,870
Net assets		**9,686,953**	9,519,987
Capital and reserves			
Share capital	*19*	**15,069**	15,063
Reserves		**9,108,861**	8,972,850
Equity attributable to owners of the Company		**9,123,930**	8,987,913
Non-controlling interests		**563,023**	532,074
Total equity		**9,686,953**	9,519,987

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000* *(note)*	Special reserve *RMB'000*	Share-based payments reserve *RMB'000*	FVTOCI reserve *RMB'000*	Retained profits *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At December 31, 2018 (audited)	15,063	2,233,642	1,181,286	221,500	108,382	(9,372)	5,237,412	8,987,913	532,074	9,519,987
Adjustments arising from the initial application of IFRS 16 *(Note 2)*	–	–	–	–	–	–	(194,495)	(194,495)	–	(194,495)
At January 1, 2019 (restated)	15,063	2,233,642	1,181,286	221,500	108,382	(9,372)	5,042,917	8,793,418	532,074	9,325,492
Profit for the period	–	–	–	–	–	–	734,132	734,132	48,125	782,257
Other comprehensive expense for the period	–	–	–	–	–	(1,314)	–	(1,314)	–	(1,314)
Total comprehensive income for the period	–	–	–	–	–	(1,314)	734,132	732,818	48,125	780,943
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	5,405	5,405
Acquisition of non-controlling interests	–	–	–	(920)	–	–	–	(920)	(3,641)	(4,561)
Disposal of a subsidiary	–	–	–	(779)	–	–	–	(779)	779	–
Recognition of equity-settled share-based payments	–	–	–	–	10,958	–	–	10,958	–	10,958
Exercise of share options	6	2,146	–	–	–	–	–	2,152	–	2,152
Dividends recognized as distribution *(Note 8)*	–	(413,717)	–	–	–	–	–	(413,717)	–	(413,717)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(19,719)	(19,719)
At June 30, 2019 (unaudited)	15,069	1,822,071	1,181,286	219,801	119,340	(10,686)	5,777,049	9,123,930	563,023	9,686,953

(Continued)

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note)	Special reserve RMB'000	Share-based payments reserve RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2018 (audited)	15,033	2,742,824	875,330	267,501	91,565	5,789	4,290,269	8,288,311	493,123	8,781,434
Profit for the period	–	–	–	–	–	–	723,372	723,372	46,798	770,170
Other comprehensive income for the period	–	–	–	–	–	(6,668)	–	(6,668)	–	(6,668)
Total comprehensive income for the period	–	–	–	–	–	(6,668)	723,372	716,704	46,798	763,502
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	24,052	24,052
Acquisition of non-controlling interests	–	–	–	(14,834)	–	–	–	(14,834)	(32,056)	(46,890)
Disposal of partial equity interests in a subsidiary without losing control	–	–	–	(868)	–	–	–	(868)	2,868	2,000
Recognition of equity-settled share-based payments	–	–	–	–	8,696	–	–	8,696	–	8,696
Exercise of share options	22	8,120	–	–	–	–	–	8,142	–	8,142
Dividends recognized as distribution *(Note 8)*	–	(520,425)	–	–	–	–	–	(520,425)	–	(520,425)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(39,722)	(39,722)
At June 30, 2018 (unaudited)	15,055	2,230,519	875,330	251,799	100,261	(879)	5,013,641	8,485,726	495,063	8,980,789

Note: As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries with the amount and allocation basis to be decided by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches into 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to make up for prior year losses, if any, and/or (ii) in capital conversion.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**1,056,362**	1,012,450
Adjustments for:		
Finance costs	**376,536**	312,389
Interest income on bank deposits	**(14,192)**	(8,853)
Interest income from a related party	**(1,728)**	(1,728)
Loss on disposal of subsidiaries	**380**	–
Loss on disposal of interest in an associate	**53**	–
Depreciation of property, plant and equipment	**304,456**	241,120
Depreciation of right-of-use assets	**121,431**	–
Release of prepaid land lease payments	**–**	16,162
Amortization of intangible assets	**22,190**	20,331
Share-based payment expenses	**10,958**	8,696
Gain on disposal of property, plant and equipment	**(5,017)**	(5,283)
Gain on fair value change of financial assets at FVTPL	**(21,966)**	(1,448)
(Reversal) provision of impairment of loan receivables	**(1,564)**	178
(Reversal) provision of impairment of finance lease receivables	**(738)**	305
Loss on changes in fair value of derivative financial instruments, net	**47,955**	–
Foreign exchange gain	**(47,955)**	–
Share of profits of associates	**(21,995)**	(21,327)
Share of profits of joint ventures	**(5,354)**	(3,010)
Operating cash flows before movements in working capital	**1,819,812**	1,569,982
Decrease (increase) in inventories	**1,072,366**	(1,030,015)
Decrease (increase) in trade and other receivables	**90,718**	(405,178)
Decrease (increase) in finance lease receivables	**372,212**	(273,254)
Decrease in loan receivables	**181,632**	293,306
(Increase) decrease in cash in transit	**(91,104)**	2,849
Decrease in other liabilities	**(53,047)**	(4,596)
Decrease in contract liabilities	**(13,077)**	(59,223)
Decrease in trade and other payables	**(42,445)**	(258,038)
Decrease in amounts due from related parties	**10,554**	14,165
Increase in amounts due to related parties	**2,365**	408,704
Withdrawal of pledged bank deposits	**1,754,453**	1,597,166
Placement of restricted bank balances	**(2,006,032)**	(1,213,808)
Cash generated from operations	**3,098,407**	642,060
Income taxes paid	**(121,452)**	(180,760)
NET CASH FROM OPERATING ACTIVITIES	**2,976,955**	461,300

(continued)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(1,018,639)**	(795,351)
Purchase of intangible assets	**(8,192)**	(19,009)
Purchase of financial assets at FVTPL	**(39,000)**	(140,950)
Refund of financial assets at FVTPL	**1,343**	4,667
Withdrawal of financial assets at FVTPL	**100,000**	–
Additions to and deposits paid for prepaid land lease payments	**–**	(5,300)
Proceeds on disposal of property, plant and equipment	**234,106**	238,808
Advance to related parties	**(299)**	(8,705)
Collection of advance to related parties	**3,488**	10,350
Collection of advance to independent third parties	**6,599**	57,227
Collection of advance to non-controlling interests	**100**	4,900
Payment for prior year acquisition of subsidiaries	**(2,040)**	–
Payment for acquisition of subsidiaries	**–**	(108,383)
Payments for rental deposits	**(101)**	–
Net proceeds on disposal of subsidiaries	**8,574**	–
Proceeds on disposal of an associate	**147**	–
Dividends received from joint ventures	**8,460**	–
Dividends received from associates	**15,000**	–
Interest received	**14,662**	10,581
Investment in associates	**(196)**	(4,500)
Placement of time deposits	**(6,713)**	–
Withdrawal of time deposits	**38,600**	–
NET CASH USED IN INVESTING ACTIVITIES	**(644,101)**	(755,665)

(continued)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	**14,293,731**	16,092,204
Repayment of borrowings	**(13,699,008)**	(13,532,903)
Proceeds on issue of super short-term commercial papers	**–**	1,500,000
Repayment of super short-term commercial papers	**(1,300,000)**	(2,600,000)
Payment for transaction costs of issue of super short-term commercial papers	**(375)**	(1,888)
Repayments of leases liabilities	**(117,700)**	–
Advance from a related party	**810**	–
Prepayment of advance from a related party	**(2,760)**	–
Proceeds of disposal of partial equity interests in subsidiaries without losing control	**–**	2,000
Capital injection by non-controlling interests	**5,405**	24,052
Acquisition of non-controlling interests	**(4,561)**	(44,440)
Advance from non-controlling interests	**–**	3,399
Advance from independent third parties	**–**	1,148
Repayment of advance from non-controlling interests	**(4,087)**	(577)
Interest paid	**(298,851)**	(338,382)
Placement of deposits to entities controlled by suppliers for borrowings	**(35,556)**	(44,403)
Withdrawal of deposits to entities controlled by suppliers for borrowings	**70,509**	30,135
Dividends paid as distribution	**(413,717)**	(520,425)
Dividends paid to non-controlling interests	**(19,719)**	(39,722)
Proceeds from exercise of share options	**2,152**	8,142
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,523,727)**	538,340
NET INCREASE IN CASH AND CASH EQUIVALENTS	**809,127**	243,975
CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH	**2,056,208**	1,717,675
CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH	**2,865,335**	1,961,650

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Yongda Automobiles Services Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services, provision of automobile rental services, provision of proprietary finance business services, and distribution of automobile insurance products and automobile financial products in the PRC. The Company and its subsidiaries are collectively referred to as the "Group".

The condensed consolidated financial statements are presented in Renminbi (the "RMB"), which is the same as the functional currency of the Company.

In addition, the condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 "*Leases*" ("IAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease; unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "*Financial Instruments*" ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "*Income Taxes*" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on January 1, 2019, the Group applies IFRS 15 "*Revenue from Contracts with Customers*" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

Definition of a lease (continued)

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* as an alternative of impairment review;

ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

At January 1, 2019, the Group recognized lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

Definition of a lease (continued)

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6%.

	At January 1, 2019 *RMB'000*
Operating lease commitments disclosed as at December 31, 2018	1,927,896
Lease liabilities discounted at relevant incremental borrowing rates	1,630,231
Less: Recognition exemption – short-term leases	(24,175)
Lease liabilities relating to operating leases recognized upon application of IFRS 16	1,606,056
Analyzed as	
Current	163,485
Non-current	1,442,571

	At January 1, 2019 *RMB'000*
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	1,422,294
Reclassified from prepaid lease payments	1,371,891
	2,794,185
By class:	
Leasehold land	1,371,891
Land and buildings	1,422,294
	2,794,185

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but to account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The following table summarizes the impact of transition to IFRS 16 on retained profits at January 1, 2019.

	Impact of adopting IFRS 16 at January 1, 2019 *RMB'000*
Retained profits	
Depreciation of right-of-use assets from the commencement dates upon application of IFRS 16	(552,788)
Finance costs of lease liabilities from the commencement dates upon application of IFRS 16	(349,965)
Less: Lease expenses of operating leases under IAS 17 before January 1, 2019	708,258
Impact at January 1, 2019	(194,495)

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position as at January 1, 2019. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

	Notes	Carrying amounts previously reported at December 31, 2018 *RMB'000*	Adjustments *RMB'000*	**Carrying amounts under IFRS 16 at January 1, 2019** ***RMB'000***
Non-current Assets				
Prepaid lease payments	*(a)*	1,329,129	(1,329,129)	**–**
Right-of-use assets	*(c)*	–	2,794,185	**2,794,185**
Current Assets				
Prepaid lease payments	*(a)*	42,762	(42,762)	**–**
Trade and other receivables- prepayments and rental deposits on properties	*(b)*	57,679	(10,733)	**46,946**
Current Liabilities				
Lease liabilities		–	163,485	**163,485**
Non-current liabilities				
Lease liabilities		–	1,442,571	**1,442,571**
Capital and Reserves				
Reserves		8,972,850	(194,495)	**8,778,355**

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,329,129,000 and RMB42,762,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, the discounting effect in the amount of RMB3,928,000 was adjusted to refundable rental deposits paid and right-of-use assets. Meanwhile, upfront payments for some leases were classified as prepayments as at 31 December 2018 and lease prepayments amounting to RMB6,805,000 was reclassified to right-of-use assets upon application of IFRS 16.

(c) Apart from the adjustments stated in note (a) and (b) above, right-of-use assets at the date of initial application also included those recognized for leases previously classified as operating leases applying IAS 17. For such leases, the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application, the amount recognized on this basis was RMB1,422,294,000 at January 1, 2019. Together with the reclassification amount of prepaid lease payment amounting to RMB1,371,891,000, the total amount of right-of-use assets is amounted to RMB2,794,185,000 on January 1, 2019.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of passenger vehicles:		
– Luxury and ultra-luxury brands *(note a)*	**20,106,864**	16,864,231
– Mid- to high-end brands *(note b)*	**4,289,581**	3,926,699
	24,396,445	20,790,930
Services		
– After-sales services	**4,244,347**	3,699,781
	28,640,792	24,490,711
Types of Goods or services		
Mainland China	**28,640,792**	24,490,711
Types of Goods or services		
A point in time	**24,396,445**	20,790,930
Over time	**4,244,347**	3,699,781
	28,640,792	24,490,711

Notes:

a. Luxury and ultra-luxury brands include BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Bentley, Aston Martin, Infiniti, Lincoln, Cadillac, Volvo, Mercedes-Benz and Lexus.

b. Mid- to high-end brands include Buick, Chevrolet, Volkswagen, Ford, Skoda, Toyota, Honda, Roewe, Hyundai, Mazda, Lynk, Weltmeister and others.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Disaggregation of revenue from contracts with customers (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the six months ended June 30, 2019		For the six months ended June 30, 2018	
	Sale of passenger vehicles *RMB'000*	After-sales services *RMB'000*	Sale of passenger vehicles *RMB'000*	After-sales services *RMB'000*
Revenue disclosed in segment information				
External customers	**24,396,445**	**4,244,347**	20,790,930	3,699,781
Inter-segment	**85,956**	**–**	85,526	–
Total	**24,482,401**	**4,244,347**	20,876,456	3,699,781
Eliminations	**(85,956)**	**–**	(85,526)	–
Revenue from contracts with customers	**24,396,445**	**4,244,347**	20,790,930	3,699,781

3B. OPERATING SEGMENTS

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended June 30, 2019

	Passenger vehicle sales and services *RMB'000* (Unaudited)	Automobile rental services *RMB'000* (Unaudited)	Proprietary finance business *RMB'000* (Unaudited) *(note d)*	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
External revenue	28,640,792	224,286	240,721	–	29,105,799
Inter-segment revenue	85,956	–	5,652	(91,608)	–
Segment revenue *(note a)*	28,726,748	224,286	246,373	(91,608)	29,105,799
Segment cost *(note b)*	26,185,554	163,190	91,420	(106,453)	26,333,711
Segment gross profit	2,541,194	61,096	154,953	14,845	2,772,088
Service income	532,260	–	–	(5,449)	526,811
Segment result	3,073,454	61,096	154,953	9,396	3,298,899
Other income and other gains and losses *(note c)*					53,455
Distribution and selling expenses					(1,216,925)
Administrative expenses					(729,880)
Share of profits of joint ventures					5,354
Share of profits of associates					21,995
Finance costs					(376,536)
Profit before tax					1,056,362

3B. OPERATING SEGMENTS (continued)

For the six months ended June 30, 2018

	Passenger vehicle sales and services *RMB'000* (Unaudited)	Automobile rental services *RMB'000* (Unaudited)	Proprietary finance business *RMB'000* (Unaudited) *(note d)*	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
External revenue	24,490,711	188,660	240,313	–	24,919,684
Inter-segment revenue	85,526	1,851	5,175	(92,552)	–
Segment revenue *(note a)*	24,576,237	190,511	245,488	(92,552)	24,919,684
Segment cost *(note b)*	22,225,571	140,846	82,355	(114,840)	22,333,932
Segment gross profit	2,350,666	49,665	163,133	22,288	2,585,752
Service income	466,954	–	–	(15,900)	451,054
Segment result	2,817,620	49,665	163,133	6,388	3,036,806
Other income and other gains and losses *(note c)*					25,262
Distribution and selling expenses					(1,147,771)
Administrative expenses					(613,795)
Share of profits of joint ventures					3,010
Share of profits of associates					21,327
Finance costs					(312,389)
Profit before tax					1,012,450

Notes:

a. The segment revenue of passenger vehicles sales and services for the six months ended June 30, 2019 was approximately RMB28,726,748,000 (for the six months ended June 30, 2018: RMB24,576,237,000) which included the sales revenue of passenger vehicles amounting to approximately RMB24,482,401,000 (for the six months ended June 30, 2018: RMB20,876,456,000) and the after-sales services revenue amounting to approximately RMB4,244,347,000 (for the six months ended June 30, 2018: RMB3,699,781,000).

b. The segment cost of passenger vehicles sales and services for the six months ended June 30, 2019 was approximately RMB26,185,554,000 (for the six months ended June 30, 2018: RMB22,225,571,000) which included the cost of sales of passenger vehicles amounting to approximately RMB23,897,552,000 (for the six months ended June 30, 2018: RMB20,242,884,000) and the cost of after-sales services amounting to approximately RMB2,288,002,000 (for the six months ended June 30, 2018: RMB1,982,687,000).

c. The amount excludes the service income generated from the passenger vehicle sales and services segment, which is included in the segment result above.

3B. OPERATING SEGMENTS (continued)

Notes: (continued)

d. The segment revenue of proprietary finance business mainly includes finance leasing and small loan services. The segment cost of proprietary finance business is mainly composed of finance costs.

The accounting policies of the operating segments are the same as those of the Group. Segment result represents the profit before tax earned by each segment without allocation of other income and other gains and losses other than service income (Note 4), distribution and selling expenses, administrative expenses, finance costs, share of profits of joint ventures and share of profits of associates. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the executive directors of the Company.

4. OTHER INCOME/OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income comprises:		
Service income *(note a)*	**526,811**	451,054
Government grants *(note b)*	**10,481**	6,135
Interest income on bank deposits	**14,192**	8,853
Interest income from a related party *(Note 23)*	**1,728**	1,728
Others	**115**	1,152
	553,327	468,922
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment	**5,017**	5,283
Gain on fair value change of financial assets at FVTPL	**21,966**	1,448
Net foreign exchange gains	**47,008**	147
Reversal (provision) of impairment of loan receivables	**1,564**	(178)
Reversal (provision) of impairment of finance lease receivables	**738**	(305)
Net loss on changes in fair value of derivative financial instruments	**(47,955)**	–
Others	**(1,399)**	999
	26,939	7,394
Total	**580,266**	476,316

Notes:

a. Service income was primarily related to agency income derived from distribution of automobile insurance products and automobile financial products in the PRC.

b. Government grants represent unconditional grants received from local finance bureaus in compensation for expenses incurred by the Group.

5. FINANCE COSTS

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on:		
– bank loans	**195,960**	159,029
– other borrowings from entities controlled by suppliers	**23,134**	26,549
– reimbursement to suppliers *(note a)*	**38,338**	47,619
– super short-term commercial papers	**30,684**	39,432
– corporate bonds *(Note 18)*	**39,000**	39,000
– lease liabilities	**46,997**	–
Release of capitalized transaction cost in relation to issue of super short-term commercial papers	**1,710**	1,953
Release of capitalized transaction cost in relation to issue of corporate bonds *(Note 18)*	**3,347**	1,028
Less: interest capitalized *(note b)*	**(2,634)**	(2,221)
	376,536	312,389

Note:

a. The Group is required to undertake part of the finance costs incurred by suppliers of the Group in relation to discounting bank acceptance notes issued by the Group to the suppliers for the purchase of new passenger vehicles.

b. Borrowing costs capitalized during the year arose from the general borrowing pool and are calculated by applying a capitalization rate of 5.81% (2018: 5.47%) per annum to expenditure on qualifying assets.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**304,456**	241,120
Depreciation of right-of-use assets	**121,431**	–
Release of prepaid land lease payments	**–**	16,162
Amortization of intangible assets	**22,190**	20,331
Share-based payment expenses	**10,958**	8,696

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**250,759**	272,111
Under provision of PRC EIT in prior years	**3,357**	1,967
	254,116	274,078
Deferred tax		
Current period charge (credit)	**19,989**	(31,798)
	274,105	242,280

The Company and Sea of Wealth International Investment Company Limited, a subsidiary of the Company, are tax exempted companies incorporated in the Cayman Islands and British Virgin Islands, respectively.

Grouprich International Investment Holdings Limited, a subsidiary of the Company, was incorporated in Hong Kong and has had no assessable profits subject to Hong Kong profits tax since its incorporation.

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. DIVIDENDS

During the current interim period, a final dividend of HK$0.25593 (equivalent to RMB0.225) per share in respect of the year ended December 31, 2018 (2017: RMB0.27 per share) was declared and paid out of share premium to the owners of the Company in Hong Kong dollars (the "HK$"). The aggregate amount of the 2018 final dividend declared and paid in the interim period amounted to approximately RMB413,717,000 (for the six months ended June 30, 2018: RMB520,425,000).

The board of directors of the Company has determined that no dividend will be paid in respect of the interim period for the six months ended June 30, 2019 (for the six months ended June 30, 2018: nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**734,132**	723,372
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,838,434**	1,835,613
Effect of dilutive potential ordinary shares:		
Share options	**3,905**	9,794
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,842,339**	1,845,407

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property, plant and equipment

During the current interim period, the Group acquired property, plant and equipment of approximately RMB945,983,000 (for the six months ended June 30, 2018: RMB762,217,000) for business expansion.

During the current interim period, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB226,454,000 (for the six months ended June 30, 2018: RMB259,430,000).

In addition, during the current interim period, the Group paid approximately RMB14,587,000 (for the six months ended June 30, 2018: RMB5,528,000) as deposits for acquisition of property, plant and equipment for business expansion.

Right-of-use assets

During the current interim period, the Group entered into some new lease agreements for the use of operation range for 1~12 years. On lease commencement, the Group recognized approximately RMB51,481,000 of right-of-use assets and approximately RMB48,548,000 lease liabilities.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Right-of-use assets (continued)

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepaid lease payments *(note)*	**1,350,148**	–
Land and buildings	**1,374,087**	–
	2,724,235	–

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments were reclassified to right-of-use assets.

11. FINANCE LEASE RECEIVABLES

Certain motor vehicles of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analyzed as:		
Current	**2,146,250**	1,877,661
Non-current	**1,103,937**	1,744,000
	3,250,187	3,621,661

11. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance lease receivables comprise:				
Within one year	**2,350,689**	2,063,346	**2,146,250**	1,877,661
In more than one year but not more than two years	**1,060,014**	1,599,508	**886,437**	1,392,834
In more than two years but not more than five years	**302,337**	486,312	**225,124**	359,528
	3,713,040	4,149,166	**3,257,811**	3,630,023
Less: unearned finance income	**(455,229)**	(519,143)	**N/A**	N/A
Less: allowance for impairment loss under expected credit loss ("ECL") model	**(7,624)**	(8,362)	**(7,624)**	(8,362)
Present value of minimum lease payment receivables	**3,250,187**	3,621,661	**3,250,187**	3,621,661

As at June 30, 2019, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB50,812,000 (2018: RMB67,304,000) and RMB40,064,000 (2018: RMB76,619,000) were recognized as other non-current liabilities and current liabilities, respectively (Note 15).

12. LOAN RECEIVABLES

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Guaranteed but unsecured loans	207,529	226,052
Collateralised but unguaranteed loans	129,446	292,555
Gross loan receivables	336,975	518,607
Less: allowances for impairment losses	(3,002)	(4,566)
Net loan receivables	333,973	514,041
Analyzed as:		
Current	282,743	427,866
Non-current	51,230	86,175
	333,973	514,041

The Group provides fixed-rate loans with a term from three months to three years to local individuals in the PRC. All loans are either backed by guarantees and/or secured by collateral.

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Fixed-rate loan receivables:		
Within one year	282,743	427,866
In more than one year but not more than two years	41,454	64,884
In more than two years but not more than three years	9,776	21,291
	333,973	514,041

The past due loan receivables is immaterial as at the end of the reporting period.

13. INVENTORIES

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Motor vehicles	**4,227,628**	5,258,890
Spare parts and accessories	**529,501**	570,605
	4,757,129	5,829,495

14. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

The Group's credit policies towards its customers are as follows:

a. In general, deposits and advances are required and no credit period is allowed for sales of automobiles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicles sales and after-sales services, a credit period not exceeding 60 days is granted; and

14. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

b. For automobile rental services, the Group typically allows a credit period of 30 to 90 days to its customers.

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Current		
Trade receivables	964,165	809,964
Bill receivables	300	–
	964,465	809,964
Prepayments and other receivables comprise:		
Prepayments and deposits to suppliers	1,696,631	2,185,651
Deposits to entities controlled by suppliers for borrowings	179,500	214,453
Prepayments and rental deposits on properties	47,635	57,679
Rebate receivables from suppliers	2,232,601	2,134,548
Interest receivables	4,401	4,871
Finance and insurance commission receivables	189,483	132,256
Staff advances	15,908	10,087
Value-added tax recoverable	462,721	381,410
Advances to non-controlling interests *(note a)*	35,300	35,400
Advances to independent third parties *(note a)*	15,923	22,897
Receivables on disposal of a subsidiary	6,420	6,420
Others	186,328	197,139
Less: allowance for impairment losses	(6,420)	(6,420)
	5,066,431	5,376,391
	6,030,896	6,186,355
Non-current		
Other assets		
Advances to non-controlling interests *(note b)*	30,000	30,000

Notes:

a. The balances were unsecured, interest-free and repayable on demand.

b. The balance carried at a fixed interest rate of 4.9% per annum (2018: 4.9%), which was payable upon the maturity with a credit term of 5 years.

14. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

Bill receivables held by the Group as at June 30, 2019 will mature within 3 months.

The following is an ageing analysis of the Group's trade and bill receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
0 to 90 days	**964,465**	809,964

None of the trade and bill receivables are past due but not impaired as at the end of the reporting period. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bill receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

15. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Current		
Trade payables	530,424	640,462
Bills payables	4,200,180	4,197,984
	4,730,604	4,838,446
Other payables		
Other tax payables	157,746	98,347
Payables for acquisition of property, plant and equipment	22,593	80,662
Rental payables	11,168	11,919
Salary and welfare payables	44,497	37,630
Accrued interest	93,888	65,623
Accrued audit fee	2,200	4,660
Consideration payables for acquisition of subsidiaries *(note)*	34,234	36,509
Advance from non-controlling interests *(note)*	86,398	90,484
Deposits received from customers under finance leases *(Note 11)*	40,064	76,619
Others	187,110	162,982
	679,898	665,435
	5,410,502	5,503,881
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 11)*	50,812	67,304

Note: The balances are unsecured, interest-free and repayable within one year from the year end of the reporting period.

15. TRADE AND OTHER PAYABLES/OTHER LIABILITIES (continued)

The Group's trade payables mainly relate to purchase of spare parts and accessories. A credit period not exceeding 90 days is generally granted by certain suppliers to the Group for the purchase of spare parts and accessories. Bills payables primarily relate to the Group's use of bank acceptance notes to finance its purchase of passenger vehicles, with a credit period of one to six months.

The following is an ageing analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
0 to 90 days	**4,390,624**	4,100,537
91 to 180 days	**339,980**	737,909
	4,730,604	4,838,446

16. BORROWINGS

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Bank loans	**9,332,690**	8,223,478
Other borrowings	**1,319,823**	1,872,451
	10,652,513	10,095,929
Secured borrowings, by the Group's assets	**2,015,802**	2,614,797
Unsecured borrowings	**8,636,711**	7,481,132
	10,652,513	10,095,929
Unguaranteed borrowings	**10,652,513**	10,095,929
Fixed-rate borrowings	**10,124,435**	9,576,126
Variable-rate borrowings	**528,078**	519,803
	10,652,513	10,095,929
Carrying amount repayable:		
Within one year	**8,168,807**	9,259,896
More than one year, but not exceeding two years	**764,229**	828,469
More than two years, but not exceeding five years	**1,719,477**	7,564
	10,652,513	10,095,929
Less: amounts due within one year shown under current liabilities	**(8,168,807)**	(9,259,896)
Amounts shown under non-current liabilities	**2,483,706**	836,033

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at June 30, 2019 ranged from 4.35% to 6.08% (2018: 2.91% to 5.75%) per annum.

16. BORROWINGS (continued)

At the end of the reporting periods, other borrowings (i) are of a term less than one year; (ii) have an interest-free period ranging from the first 15 days to three months after drawdown; (iii) carry interest at the People's Bank of China benchmark rate plus a premium as the borrowings are extended beyond the initial interest-free period.

The Group's borrowings were secured against the Group's assets with carrying amounts as follows:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Right-of-use assets		
– leasehold land	**102,172**	139,989
Property, plant and equipment (buildings and motor vehicles)	**116,705**	214,232
Inventories	**903,679**	733,055
Total	**1,122,556**	1,087,276

As at June 30, 2019, the Group has also pledged 100% equity interests of one subsidiary with a carrying amount of RMB764 million (2018: RMB764 million) for bank loans which was drawn down in 2017.

17. SUPER SHORT-TERM COMMERCIAL PAPERS

On March 9, 2017, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment") received a notice of acceptance of registration (the "Notice") issued from National Association of Financial Market Institutional Investors to issue super short-term commercial papers of an aggregate registered amount of RMB4 billion. According to the Notice, the registered amount is effective for two years commencing from the date of issue of the Notice.

In 2018, Shanghai Yongda Investment issued 5 tranches of the super short-term commercial papers, each with an aggregate principal amount of RMB0.5 billion, RMB0.5 billion, RMB0.5 billion, RMB0.5 billion and RMB0.3 billion and a term of 180 days, 250 days, 270 days, 180 days and 180 days from their respective dates of issuance. The super short-term commercial papers are unsecured and carry interests at rates of 6.70%, 6.50%, 7.30%, 6.70% and 6.50% per annum, respectively. The interests are payable upon maturity. The super short-term commercial papers were issued to domestic institutional investors in the PRC which are independent third parties. Shanghai Yongda Investment had fully settled the super short-term commercial papers as at June 30, 2019.

18. CORPORATE BONDS

On October 12, 2016, Shanghai Yongda Investment received an approval of corporate bonds offering to qualified investors (the "Approval") by China Securities Regulatory Commission to issue corporate bonds (the "Corporate Bonds") in an aggregate amount not exceeding RMB2 billion. The Approval will be effective for two years commencing from the date of its issue.

18. CORPORATE BONDS (continued)

On November 2, 2016, Shanghai Yongda Investment fully issued the Corporate Bonds with base issue size of RMB1 billion and an over-allotment of RMB1 billion, totalling RMB2 billion. The Corporate Bonds are fixed rate bonds with a term of five years, in which Shanghai Yongda Investment has an option to adjust the coupon rate and investors have an option to resell to Shanghai Yongda Investment at the end of the third interest-bearing year.

The Corporate Bonds are unsecured and carry a fixed coupon rate of 3.90% per annum. The interest is payable annually. The Corporate Bonds were issued to domestic qualified investors in the PRC which are independent third parties.

Movement of the Corporate Bonds during the current interim period ended June 30, 2019 was as follows:

	RMB'000
At January 1, 2019	1,994,422
Add: interest expenses – amortization of transaction costs *(Note 5)*	3,347
At June 30, 2019	1,997,769

During the period ended June 30, 2019, interest expenses of approximately RMB39,000,000 (for the six months ended June 30, 2018:RMB39,000,000) was recognized. As at June 30, 2019, unpaid interest expenses of approximately RMB51,821,000 was accrued in other payables (2018: RMB52,433,000).

19. SHARE CAPITAL

	Number of shares *'000*	Amount *RMB'000*
Ordinary shares of HK$0.01 each		
Authorized:		
As at January 1, 2018 (audited), June 30, 2018 (unaudited), January 1, 2019 (audited) and June 30, 2019 (unaudited)	2,500,000	25,000

	Number of shares *'000*	**Amount** *HK$'000*	**Shown in financial statements as** *RMB'000*
Issued and fully paid:			
At January 1, 2019 (audited)	1,838,112	18,381	15,063
Exercise of share options *(Note 20)*	663	7	6
At June 30, 2019 (unaudited)	1,838,775	18,388	15,069

20. SHARE-BASED COMPENSATION

(a) Share Option Scheme

The Company's share option scheme was adopted by the Company on October 10, 2013 (the "Share Option Scheme") for the primary purpose of giving the grantees an opportunity to have a personal stake in the Company and motivating the grantees to optimise their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted must be taken up within 28 days from the date of grant, upon payment of RMB1.00. Subject to the vesting as detailed below, options may be exercised at any time from the grant date of the share options to the fifth anniversary of the date of grant. The exercise price of the shares in the Company shall be a price determined by the board of directors of the Company with reference to future earnings potential of the Company and notified to the eligible grantees.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the six months period ended June 30, 2019 and 2018:

					Number of options		
	Grant date	Exercised price *(HK$)*	Outstanding as at January 1, 2019	Granted during the period	Exercised during the period *(Note 19)*	Lapsed during the period	Outstanding as at June 30, 2019
Directors:							
Mr. Wang Liqun	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Lyu Wei	July 26, 2016	3.78	200,000	–	–	–	200,000
Ms. Zhu Ann Dezhen	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Xu Yue	July 26, 2016	3.78	2,400,000	–	–	–	2,400,000
Employees and other grantees	July 26, 2016	3.78	11,449,500	–	(663,500)	–	10,786,000
	June 19, 2017	8.14	10,300,000	–	–	(600,000)	9,700,000
			24,749,500	–	(663,500)	(600,000)	23,486,000
Option exercisable			15,983,000				18,219,000
Weighted average exercise price *(HK$)*			5.59	–	3.78	8.14	5.58

20. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

	Grant date	Exercised price *(HK$)*	Outstanding as at January 1, 2018	Granted during the period	Number of options exercised during the period	Lapsed during the period	Outstanding as at June 30, 2018
Directors:							
Mr. Wang Liqun	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Lyu Wei	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Chen Xianglin	July 26, 2016	3.78	200,000	–	–	–	200,000
Ms. Zhu Ann Dezhen	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Xu Yue	July 26, 2016	3.78	2,400,000	–	–	–	2,400,000
Ms. Chen Yi	July 26, 2016	3.78	442,000	–	(442,000)	–	–
Employees and other grantees	July 26, 2016	3.78	15,215,000	–	(2,200,500)	(134,000)	12,880,500
	June 19, 2017	8.14	10,500,000	–	–	–	10,500,000
			29,357,000	–	(2,642,500)	(134,000)	26,580,500
Option exercisable			15,324,000				16,047,500
Weighted average exercise price *(HK$)*			5.34	–	3.78	3.78	5.50

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise is HK$6.9339 (2018: HK$8.561).

The Group recognized an expense of approximately RMB2,092,000 for the six months ended June 30, 2019 in relation to the share options granted by the Company under the Share Option Scheme (for the six months ended June 30, 2018: RMB3,884,000).

(b) Employee Pre-IPO Incentive Scheme

The Company's employee pre-IPO incentive scheme was adopted by the Company on April 3, 2012 (the "Employee Pre-IPO Incentive Scheme") for the primary purpose of recognition of the contributions of the beneficiaries under the Employee Pre-IPO Incentive Scheme and to incentivize them. Under the Employee Pre-IPO Incentive Scheme, the board of directors of the Company may make cash awards to eligible employees, including directors (other than independent non-executive directors) of the Company and its subsidiaries. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited ("HSBC HK Trustee") via special purpose vehicle under the Employee Pre-IPO Incentive Scheme will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme.

20. SHARE-BASED COMPENSATION (continued)

(b) Employee Pre-IPO Incentive Scheme (continued)

On August 30, 2013, the Board resolved to amend the Employee Pre-IPO Incentive Scheme (the "Amended Scheme") to the effect that, in addition to the previously allowed cash awards, awards of restricted share could be granted to eligible persons ("Grantee") pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director, including independent non-executive directors. No Grantee shall be entitled to any dividend, income or any other right for which the record date is prior to the date on which the restricted shares are completed and actually transferred into the Grantee's account. The unvested restricted shares do not carry any right to vote at general meetings of the Company.

During the current interim period, awards of approximately 2,667,000 restricted shares have been made pursuant to the Amended Scheme. Details are set out as follows:

	Number of shares *'000*	Vesting period	Total fair value *RMB'000*
Year 2017	9,413	1-28 years	63,888
Year 2018	10,080	10 years	68,718
Year 2019	2,667	10 years	11,131

Amount of approximately RMB8,866,000 was recognized for the six months ended June 30, 2019 in relation to such awards made by the Company under the Amended Scheme (for the six months ended June 30, 2018: RMB4,812,000).

21. CAPITAL COMMITMENTS

	June 30, 2019 *RMB'000* (Unaudited)	December 31, 2018 *RMB'000* (Audited)
Capital expenditure in respect of acquisition of -property, plant and equipment contracted for but not provided	**96,674**	85,254

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	June 30, 2019 *RMB'000* (unaudited)	December 31, 2018 *RMB'000* (audited)		
Financial assets at FVTPL	**Fund instruments: 10,000**	Fund instruments: 110,000	Level 2	Discounted cash flows Key inputs are: (1) Expected return; and (2) A discount rate that reflects the credit risk of the investments
Financial assets at FVTPL	**Listed securities: 6,058**	Listed securities: 9,570	Level 1	Quoted bid prices in an active market
Equity investments at FVTOCI	**Listed securities: 8,013**	Listed securities: 9,327	Level 1	Quoted bid prices in an active market
Unquoted equity investments	**Equity instruments: 347,196**	Equity instruments: 284,062	Level 3	Backsolve from most recent transaction price

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

There is no transfer among level 1, 2 and 3 during the current interim period.

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL
	RMB'000
At January 1, 2019 (Audited)	284,062
Total gains – in profit or loss	25,478
Purchases	39,000
Disposal	(1,344)
At June 30, 2019 (Unaudited)	347,196

Except as detailed in the table above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

23. RELATED PARTY DISCLOSURES

I. Amounts due from related parties/a related party

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Current		
Associates held by the Group		
Sichuan Yongzhida second-hand car sales Co. Ltd. ("Sichuan Yongzhida")	760	–
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	333	–
Shenzhen Zhongyue Baocheng Automobile Sales and Services Co., Ltd.	299	–
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong")	129	–
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd.	19	–
Joint ventures held by the Group		
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda")	102,329	116,742
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda")	170	1,253
Entities controlled by the shareholders		
Shanghai Yongda Greening Co., Ltd.	164	–
Shanghai Yongda Transportation Equipment Co., Ltd.	8	–
Shanghai Yongda Food & Leisure Co., Ltd.	43	–
	104,254	117,995
Analyzed as:		
Trade-related *(note a)*	12,034	22,588
Non trade-related *(note b)*	92,220	95,407
	104,254	117,995

Notes:

a. The Group offers at its discretion certain related parties a credit period up to 90 days.

b. The balances are interest-free, unsecured and expected to be received within one year.

23. RELATED PARTY DISCLOSURES (continued)

I. Amounts due from related parties/a related party (continued)

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Non-current		
Joint venture held by the Group		
Ryde 88 Pty Limited	**37,199**	35,471

The balance is an AU$-denominated and unsecured loan of principal amounting to AU$6,000,000 with maturity of three years commenced in 2016. The loan carries a fixed interest rate of 12% per annum. The interests are payable upon maturity. During the current interim period, the Group extended the maturity of principle and interests by 1 year.

II. Amounts due to related parties

	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Joint ventures held by the Group		
Harbin Yongda	**1,001**	–
Shanghai Yongda Changrong	**242**	741
Shanghai Bashi Yongda	**158**	3,302
Associates held by the Group		
Sichuan Yongzhida	**810**	–
Shanghai Oriental Yongda	**81**	70
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited	**2,236**	–
	4,528	4,113
Analyzed as:		
Trade-related *(note a)*	**3,718**	1,353
Non trade-related *(note b)*	**810**	2,760
	4,528	4,113

Notes:

a. A credit period of not exceeding 90 days is given to the Group by the related parties.

b. The balances are interest-free, unsecured and expected to be paid within one year.

23. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
a) Sales of motor vehicles		
Shanghai Bashi Yongda	**3,007**	913
Anhui Jiajia Yongda Automobile Sales Co., Ltd.	**2,296**	5,686
	5,303	6,599

Sales of motor vehicles via Shanghai Oriental Yongda

The Group, through Shanghai Oriental Yongda's television shopping channel, sold motor vehicles to customers amounting to RMB559,549,000 and RMB396,236,000 for the six months ended June 30, 2019 and 2018, respectively. A commission of approximately RMB4,900,000 and RMB4,069,000 was paid to Shanghai Oriental Yongda for the marketing and promotional activities it carried out for the Group for the six months ended June 30, 2019 and 2018, respectively.

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
b) Purchase of motor vehicles		
Shanghai Bashi Yongda	**5,432**	361,705
Shanghai Yongda Changrong	**2,134**	1,638
	7,566	363,343
c) Sales of spare parts		
Shanghai Yongda Changrong	**434**	390
Shanghai Bashi Yongda	**–**	2,573
	434	2,963
d) Purchase of spare parts		
Shanghai Bashi Yongda	**–**	35

23. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

Sales of motor vehicles via Shanghai Oriental Yongda (continued)

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
e) Rental expenses paid to:		
Joint ventures held by the Group		
Harbin Yongda	**1,000**	–
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd. and Shanghai Yongda Property Development Co., Ltd.	**15,783**	16,344
Associate held by the Group		
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd.	**1,900**	1,900
	18,683	18,244
f) Compensation of key management personnel:		
Short-term benefits	**5,427**	3,876
Post-employment benefits	**313**	261
Share-based payments	**2,276**	3,622
	8,016	7,759

The remuneration of directors and key executives is determined by the board and its remuneration committee having regard to the performance of the individuals and market trends.