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

2019
Annual Report


YONDA YONGDA AUTO

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 *(Vice-chairman and 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

Unit 5708, 57/F, The Center
99 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

03669

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

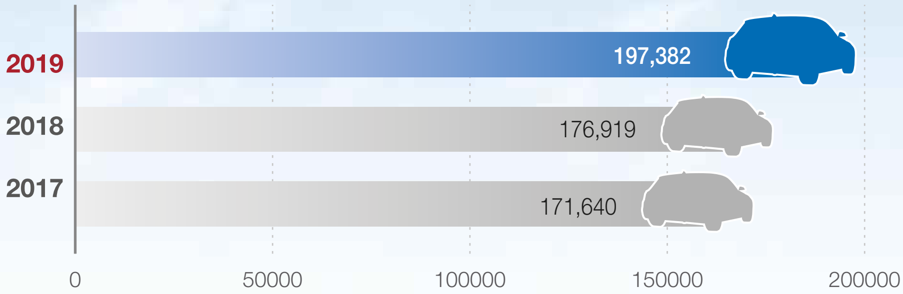
COMPANY WEBSITE

www.ydauto.com.cn

Financial Highlights

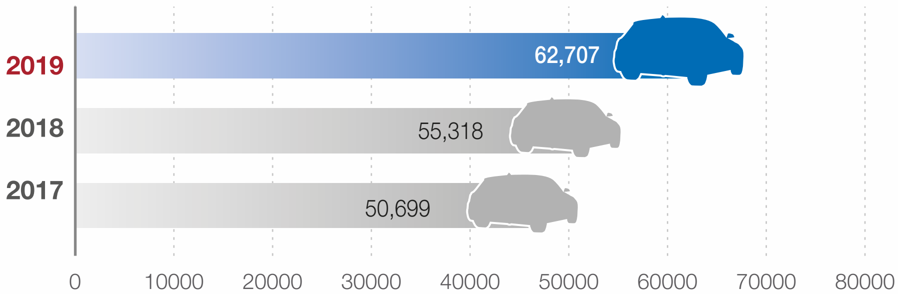
Passenger vehicles sales volume

Sales volume of passenger vehicles (units)



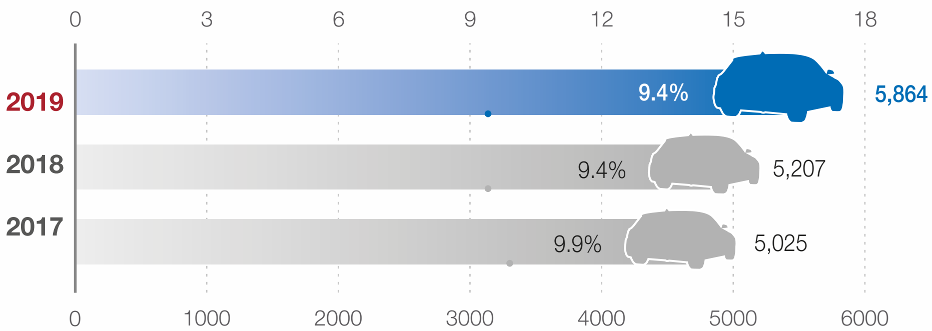
Revenue

RMB million



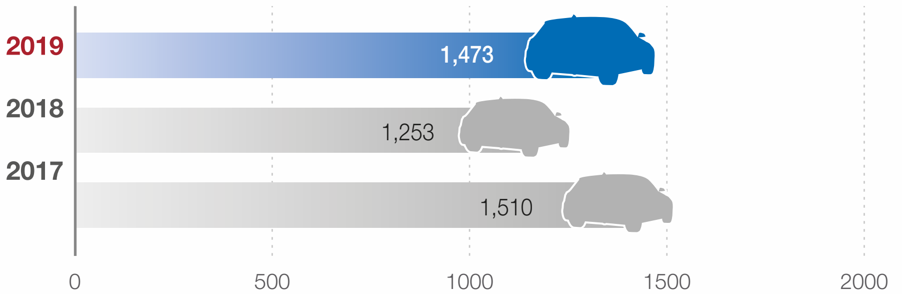
Gross profit and gross profit margin

RMB million



Profit attributable to owners of the Company

RMB million



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 2019 Annual Report of the Company and its subsidiaries (collectively referred to as the "Group", "we" or "us").

Based on the sales volume data officially published by luxury vehicles companies (豪華車企), the sales volume of luxury passenger vehicles in China in 2019 reached 3.143 million units, representing a year-on-year increase of 9.7%. However, based on the data of China Association of Automobile Manufacturers (中國汽車工業協會), the sales volume of passenger vehicles in China was only 21.444 million units in 2019, representing a year-on-year decrease of 9.6% compared with 2018. The luxury vehicles market has shown strong market momentum.

As a leading passenger vehicle retailer and comprehensive service provider in China, our revenue and gross profit achieved relatively rapid growth in 2019. Our comprehensive revenue and comprehensive gross profit, taking into account the revenue from finance and insurance agency services, amounted to RMB63,801 million and RMB6,957 million respectively, representing a year-on-year increase of 13.3% and 12.6% respectively compared with 2018. In 2019, our net profit and net profit attributable to owners of the Company were RMB1,569 million and RMB1,473 million respectively, representing a year-on-year increase of 18.4% and 17.5% respectively compared with 2018.

Chairman's Statement

KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD

1. In 2019, our sales volume of new vehicles increased by 11.6% over the same period in 2018 to 197,382 units, of which sales of new vehicles of luxury brands increased by 15.5% year-on-year to 128,628 units. Our sales revenue of new vehicles reached RMB52,935 million, representing an increase of 13.3% compared with 2018, of which sales revenue from new vehicles of luxury brands increased by 14.5% over 2018 to RMB43,769 million. The proportion of sales revenue from new vehicles of luxury brands over the overall sales revenue of new vehicles has further increased to 82.7%. Our gross profit margin of new vehicle sales was 2.35%, which remained basically flat compared with 2.37% in 2018. The inventory turnover day of our new vehicle was 36.5 days, representing a decrease of 6.6 days compared to 2018.

2. In 2019, our after-sales service business, including maintenance services and automobile extended products and services, achieved steady growth and reached a revenue of RMB 8.897 billion, representing an increase of 13.5% compared to 2018. The gross profit margin of our after-sales service was 46.37%, representing a slight increase compared with 46.20% in 2018.

3. In 2019, the sales volume of pre-owned vehicles for which we acted as an agent was 41,295 units. We achieved continuous improvement in business scale and profit through our lean management.

4. In 2019, we achieved the revenue of financial business of RMB1.617 billion, representing a 4.5% increase compared to the same period last year. We moderately slowed down the investment in proprietary finance. During this year, we achieved the revenue of proprietary finance business of RMB511 million and the revenue of finance and insurance agency business of RMB1.106 billion.

5. In 2019, our automobile rental services recorded revenue of RMB528 million, representing an increase of 29.2% compared to the same period in 2018.

6. In 2019, we completed the acquisitions and mergers of Porsche 4S dealership, Mercedes-Benz 4S dealership, Lexus 4S dealership and Tesla licensed metal sheet painting and maintenance center.

7. The Company has always kept pace with the times, vigorously promoted the construction of Digital Yongda, enchanced the scientific management of inventories, improved the management level for client assets and actively engaged youth talents in order to improve the Group's comprehensive competitiveness.

FUTURE PROSPECTS

The Group believes that the industry policy to promote vehicle consumption upgrade in China is favorable in the long run. Upon the smooth resolving of novel coronavirus epidemic, there will be a relatively large recovery in the automobile market, and the sales of luxury brand automobiles and relevant service products are expected to continue to maintain a relatively good trend of growth.

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

1. We will firmly uphold the automobile sales and services as principal business, particularly focusing on the development of luxury brand automobiles;

2. We will adhere to the measures of combining self-built outlets and acquisitions and mergers to steadily promote the nationwide network layout. We will focus on promoting the strategic expansion of luxury brands outlets including Porsche, BMW, Mercedes-Benz and Lexus;

3. We will vigorously push ahead the coordinated development of finance, pre-owned vehicles and new energy vehicle businesses, focusing on empowering the principal business of automobile sales and services to satisfy the changing demand and trend in consumers' consumption;

4. We will take the construction of Digital Yongda as one of the key long-term tasks of the Group;

5. We will continuously fulfil the social responsibility of the Company;

6. We will enhance the team construction, actively engage young management, constantly improve the asset operation quality; adhere to manage with high objectives and strict requirements and insist on reformation and innovation to promote the sustainable development of the Company.

Chairman's Statement

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

April 2, 2020

Management Discussion & Analysis

MARKET REVIEW

According to the sales volume data officially published by luxury vehicles companies (豪華車企), sales volume of luxury passenger vehicles in China reached 3.143 million units in 2019, representing a year-on-year increase of 9.7%, of which, sales of BMW increased by 13.1% year-on-year, sales of Porsche increased by 8.0% year-on-year, sales of Mercedes-Benz increased by 6.2% year-on-year and sales of Lexus increased by 25.0% year-on-year. 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 was 21.444 million units in 2019, representing a year-on-year decrease of 9.6% compared with 2018. The rapid growth in sales volume of luxury vehicles is mainly due to the continuous demand of consumption upgrade in China, the constant extension of luxury brand product lines and the enrichment of automobile finance products. It is believed that with the introduction of various domestic automobile consumption policies and the continuous deepening of tax reduction policies, sales of major luxury brands in 2020 will still maintain a trend of positive growth.

According to the data from China Association of Automobile Manufacturers, sales of new energy vehicles in 2019 was 1.206 million units, of which pure electric vehicles accounted for 80.6%. In 2019, the overall sales of new energy vehicles did not record any increase, mainly due to the impact of the decline of the national new energy subsidy policies on the one hand, and the gap between the major new energy models currently available on the market in terms of brands and products versus the needs of end consumers on the other hand. With the launch of new energy vehicle models by major automobile manufacturers, mass production of competitive vehicle models by innovative new energy vehicle companies, and the continuous improvement of the infrastructures related to new energy vehicles, we expect that the 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 (中國公安部交通管理局), as at the end of 2019, the motor vehicle ownership in China has reached 350 million units, of which 260 million are automobiles, including a total of 210 million private vehicles (small passenger cars and mini passenger cars registered in the name of an individual). Compared with the motor vehicle ownership in the markets of developed regions, our motor vehicle ownership is still in a high-growth stage. According to the rate of vehicle ownership per 1,000 people released by the World Bank for the year of 2019, the rate of vehicle ownership per 1,000 people was 837 units in the United States, 591 units in Japan, 589 units in Germany and 173 units in China. Based on the historical data analysis of the automobile market development in developed countries, even after the sales of new vehicles reach a relatively stable level, the vehicle ownership will still continue to grow for a long period of time. It is believed that with the continuous growth of the stock in automobile market in China, the after-sales service market for passenger vehicles, especially luxury passenger vehicles, will sustain rapid growth in the future.

According to the data from China Automobile Dealers Association (中國汽車流通協會), the transaction volume of pre-owned vehicles in China reached 14.923 million units in 2019, representing a year-on-year increase of 8.0%. The average transaction price of pre-owned vehicles in China in 2019 was RMB62,700, while vehicles with an age of 6 years or less accounted for 66.0% of the total transaction volume. Overall, with the further relaxation of the pre-owned vehicles relocation restriction policies and the optimization of and adjustment to tariff policies, there is a relatively large room for development in the future pre-owned vehicle transaction market in China.

Management Discussion & Analysis

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, our revenue and gross profit achieved rapid growth in 2019. In 2019, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services amounted to RMB63,801 million and RMB6,957 million respectively, representing an increase of 13.3% and 12.6% respectively compared with 2018. In 2019, our net profit and net profit attributable to owners of the Company amounted to RMB1,569 million and RMB1,473 million respectively, representing an increase of 18.4% and 17.5% respectively compared with 2018. Set forth below is a summary of our business development in 2019:

Rapid Growth in New Vehicle Sales

In 2019, our sales volume of new vehicles increased by 11.6% over the same period in 2018 to 197,382 units, of which, sales of new vehicles of luxury brands increased by 15.5% year-on-year to 128,628 units. Various luxury brands which we are authorized by manufacturers have entered into a stage of rapid growth. With the introduction of a number of competitive new vehicles, the market share has further expanded, among which, sales of Porsche brand increased by 25.4% year-on-year and sales of BMW brand increased by 13.5% year-on-year. This strongly promoted the rapid growth of our new vehicles sales.

In 2019, sales revenue of new vehicles reached RMB52,935 million, representing an increase of 13.3% compared with 2018. Our gross profit margin of new vehicle sales was 2.35%, which remained basically flat compared to 2.37% of 2018. Among the sales revenue of our new vehicle, sales revenue from new vehicles of luxury brands increased by 14.5% over the same period in 2018 to RMB43,769 million. The proportion of sales revenue from new vehicles of luxury brands of the overall sales revenue of new vehicles has further increased to 82.7% and our brand portfolio has been further optimized.

In 2019, through the assessment and management model focusing on the comprehensive gross profit of sales for each operating outlet and the establishment of benchmarking management of key KPIs, we continued to realize profit enhancement and follow-up guidance. We ensured the increase in penetration rate of extended services such as automobile finance agency business, automobile insurance business, automobile supplies business and maintained steady growth in our comprehensive profitability per vehicle. Besides, benefiting from the good market environment brought by favorable policies such as the reduction of VAT and the promotion of automobile consumption, together with our active communication and cooperation with various manufacturers, we have fully utilized the business policy support.

In 2019, the inventory turnover day of our new vehicle was 36.5 days, representing a decrease of 6.6 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 strengthened management on the purchase end to ensure that the product structure meets market demand. We limited the funds used in inventories, which ensured an increase in our inventory turnover efficiency of our new vehicles, effectively controlling our financial costs and substantially improving the efficiency of our asset operations.

In terms of management innovation of new vehicle sales, in response to the trends of younger users, diversified channels of receiving information and fragmented timing of purchase we noticed, we constantly improve the “new retail” customer service experience model. In 2019, by focusing on acquiring customers through emerging channels such as vertical network platforms, self-media communication and group buying platforms, we established a professional external development and service team for “store customers without showroom” and developed information tools that provide customers with interactive experiences throughout the entire new car selling process, in order to comprehensively satisfy customers’ purchase experiences and constantly improve business development efficiency. Meanwhile, we continued to reinforce our strengths in television sales channels by expanding our new model of vehicle sales on televisions to many provinces with rapid economic development in China, thus bringing fresh vehicle purchase experience to customers as well as enhancing our brand influence and awareness.

Management Discussion & Analysis

Steady Growth in After-sales Services

In 2019, our after-sales business, including maintenance services and automobile extended products and services, achieved steady growth, reaching a revenue of RMB8.897 billion, representing an increase of 13.5% over the same period in 2018. In 2019, we adjusted the strategies of the bulk wholesale sales of parts. Excluding this factor, the actual after-sales services business increased by 15.6% over the same period in 2018. In 2019, the gross profit margin of our after-sales service was 46.37%, slightly increased compared with 46.20% in the same period of 2018.

In 2019, the number of customers in our after-sales management continued to rise. The continuous growth of local new vehicle retail sales and our after-sales customer development work attributed to the continuous increase of the number of new after-sales customers. Further, through information tools, the number and accuracy of leads and success rate of acquiring after-sales customers have been continuously improved. Meanwhile, we actively carried out sales of various products to increase customer loyalty and effectively controlled the loss of after-sales customers.

In terms of upgrading the maintenance and repairing business, we have strengthened the vehicle condition check on all the vehicles under maintenance and repair, eliminated the troubles hidden in the customers' vehicles in a timely manner, improved the customer experience and also increased the revenue and profit of our mechanical and electrical business and warranty business. In terms of accident car business, we have actively strengthened communication with insurance companies to strive for better claims policies. Besides, we have stepped up the acquisition and development of accident vehicle business and as a result, the revenue of our accident car business in 2019 increased by 14.5% as compared to the same period in 2018. In addition, the proportion of luxury brands in our after-sales maintenance business in 2019 was 83.9%, representing an increase of 2.2 percentage points compared to 2018, further improving our maintenance revenue and profitability.

In terms of cost control, we continued to optimize the inventory structure of spare parts and decorating supplies. To ensure punctuality of supply delivery, the number of days of our inventory turnover decreased from 50.8 days at the end of 2018 to 43.2 days at the end of 2019. At the same time, capitalizing on our economies of scale, we have continued to increase the intensity of centralized invitation for bid and increased the types of products under centralized bidding. While ensuring quality, we further reduced our procurement costs.

In terms of improving the skills of maintenance technicians, we regularly carry out various types of automobile maintenance skills training courses and timely develop and introduce new energy technology training courses, ensuring our leading position in the industry in respect of our maintenance technicians' expertise. Meanwhile, by strengthening school-enterprise cooperation, we help schools optimize teaching materials and training methods to ensure that graduates who enter the Group can meet the requirements of those maintenance positions.

Continuous Improvement of Profitability of Pre-owned Vehicle Business

In 2019, the sales volume of pre-owned vehicles for which we acted as an agent was 41,295 units, among which, the sales volume of 4S dealership channels was 33,830 units, representing a year-on-year increase of 10.8%. We achieved continuous improvement in business scale and profit through lean management. The Group was ranked among the top three in the industry by the China Automobile Dealers Association in terms of our pre-owned vehicles sales volume.

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 sustainable growth of business. We disposed non-retail vehicles in a quick and efficient manner through the B2B auction platform we invested in and we continuously upgraded the pre-owned vehicles ERP management system, realizing business and financial efficient integrated management of pre-owned vehicles business.

Management Discussion & Analysis

We drew on the experience and practices of outstanding global companies in developed markets such as CARMAX and AUTONATION and proactively established the "new retail" business model for pre-owned vehicles, preliminarily realizing full pipeline business structure by combining online and offline channels. 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 to ensure healthy inventory and operation. Our e-commerce platform came into operation in the first half of 2019, initially fulfilling the functions of online display, inventory sharing and cross-store sales, and leveraging the advantage of its low-cost customer acquiring channels to conduct online attraction, offline experience and delivery operation.

Currently, we have built a network of 126 pre-owned vehicle retail outlets across China, including 113 outlets officially certified by original equipment manufacturer (OEM) and 13 "Yongda Pre-owned Vehicle" officially certified chain outlets covering regions such as East China, North China, Southwest China. The two channels complement one another, resulting in the increase in after-sales value and repurchase opportunities. Leveraging our good cooperation with OEMs, we developed the first officially certified showrooms with independent authorization outside the system of Das Welt Auto and SAIC-GM in China. Through our independent pre-owned vehicle new retail chain brand "Yongda Pre-owned Vehicle", we independently developed chain outlets nationwide by way of independent construction, cooperation, franchise, etc. with self-developed efficient management system.

Steady Progress of Automobile Finance

In 2019, our finance and insurance business developed steadily. Taking into account comprehensive factors such as the economy, we adjusted our financial business strategy to focus on the synergy between main business and finance while maintaining high financial permeability rate. In accordance with this principle, we moderately slowed down the investment in proprietary finance and actively encouraged product and marketing innovation with financial institutions. As at the end of this year, we achieved total revenue of RMB1.617 billion, representing a 4.5% increase compared to the same period of 2018. Among which, the revenue derived from proprietary finance business amounted to RMB511 million, representing a year-on-year decrease of 6.0% and the revenue of our finance and insurance agency business amounted to RMB1.106 billion, representing a year-on-year increase of 10.2%.

In terms of proprietary finance business, we appropriately controlled the growth of financial assets and the overall cash flow was positive. As at the end of the year, the scale of our newly invested assets was RMB4,244 million, and the balance of assets under management was RMB3,934 million, representing a decrease of 4.9% from RMB4.136 billion in the same period of 2018. Meanwhile, we continued to pay attention to the quality of assets and strengthened post-lease management of financial assets, especially the management on overdue customers. As at the end of the year, the ratio of overdue outstanding principal to the balance of assets under management is within reasonable range.

With respect to the asset finance integration, we were more focused on linking with partner institutions. On the one hand, our product coverage is not limited to vehicle sales and we began to explore post-market product; on the other hand, we also established cross-selling mechanism for customers through partner institutions and carried out deep-level customer activities. As at the end of the year, we have carried out a total of 14 activities with partner institutions, attracting more than 3,000 people and reaching transaction volume of RMB320 million.

Sustained Growth in Automobile Rental

In 2019, our automobile rental services recorded revenue of RMB528 million, representing an increase of 29.2% compared to the same period in 2018.

In 2019, with respect to the long-term rental business, we continued to maintain our advantages, with an increasing number of long-term rental contract customers from the world's top 500 enterprises, large state-owned enterprises and private enterprises in finance, manufacturing, public services, media entertainment and high-tech sectors. We secured long-term rental businesses from a number of large customers, such as China Mobile Information Technology, Lifeng Security Services Group, Brilliance Auto Rental, Atlas Copco, Jaguar/Land Rover and FAW Trading. The number of long-term rental contract customer base has increased steadily overall.

Meanwhile, with respect to the short-term rental business for high-end conferences, we kept forging ahead to become the designated service provider of numerous influential international and domestic major conferences, sports events and cultural events, such as the "Second China International Import Expo" (第二屆中國國際進口博覽會),"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) and "2019 Global Mobile Telecommunication Conference" (2019世界移動通信大會), attaining positive marketing effects.

In 2019, we moderately expanded the coverage of new energy vehicle travelling service business to reach 11 cities in which we established outlets, and the total scale of operations amounted to 4,500 units. We insisted on cultivating and developing independent operating capabilities, continued to optimize management and service level, and established good cooperation with upstream platforms such as DiDi and CAOCAO. We strengthened the integration of all links of the industry chain, and achieve cooperation with OEMs such as BAIC, Geely and BYD. In addition, we made full use of our competitiveness in dealership group in brand agency, after-sales maintenance and financial insurance to better control operating costs.

In 2019, we continued to provide rental protection for vehicles and the "Vehicle Steward Service" for the socialization for vehicles for public affairs which covers Shanghai Municipal Government, district governments and Public Security Bureau branches of Shanghai. Our market share and operating income continued to increase, which further strengthened our leading position in the sphere of public service vehicle rental services in Shanghai.

In 2019, we continued to deploy our rental network nationwide. Meanwhile, we are actively exploring opportunities for cooperation with companies and agencies with advantages in terms of customer base and license resources in the cities in China with potential automobile leasing market.

Exploration and Promotion of New Energy Vehicle Business

In 2019, we paid more attention to researching the development trend of new energy vehicles and actively responded to the impact of various policy changes such as government subsidies, double scoring system and emission standards. We intensified marketing of new energy vehicles in various authorized brands in major cities and new energy vehicles of major authorized brands achieved different growth rates. Throughout the year, our sales of new energy vehicles reached 9,023 units, representing a year-on-year increase of 33.7%, the proportion in overall sales of new vehicles further increased to 4.6% from 3.8% in 2018.

We have set up a special business segment to explore the development of new energy vehicle business, and at the same time, to empower new energy vehicles of existing authorized brands with sales and service business. We accelerated the development of agency cooperation with domestic and foreign mid-to-high end new energy vehicle brands, researched and developed new models for after-sales service of new energy vehicles, and tried out integrated chain service of new energy vehicles. The new energy vehicle industry has become an important exploration direction of our business development.

We continued to promote cooperation with domestic renowned innovative new energy vehicle enterprises. We cooperated with the authorized outlets of WM Motor in Shanghai, Wuxi, Guangzhou and other cities and recorded good earnings performance. We also maintained ongoing conversations with other new energy vehicle brands such as Xiaopeng, Lotus, BYTON and ENOVATE. We newly opened two showrooms for Xiaopeng new energy vehicles in Shanghai and Hangzhou, obtained authorization in Shanghai and Wuxi and set up one outlet of each of BYTON brand and Lotus brand, which laid a solid foundation for us to further capture the upcoming new energy vehicle business opportunities.

In 2019, we began to plan and develop new energy vehicle chain service outlets, attempted to undertake the after-sales business authorization of different new energy vehicle brands at the same outlets, focused on new energy vehicle after-sales services and integrating delivery, repair and service functions covering new energy vehicle maintenance, electromechanical maintenance, sheet metal painting, and charging. We have been actively communicating and discussing cooperation opportunities with brands that adopt direct selling model such as Tesla and NIO. The first new energy vehicle chain service outlet with comprehensive authorization in Shanghai has begun trial operation while the Tesla authorized sheet metal painting center in Nanchang City, Jiangxi Province, was in good operation.

Continuous Optimization and Improvement of Network

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

In 2019, our newly opened self-built outlets comprise of 13 passenger vehicles sales and service outlets of luxury and ultra-luxury brands and new energy brands, including 2 Porsche 4S dealerships, 1 Porsche city showroom, 3 Volvo 4S dealerships, 1 WM Motor 4S dealership and 2 Xiaopeng city showrooms.

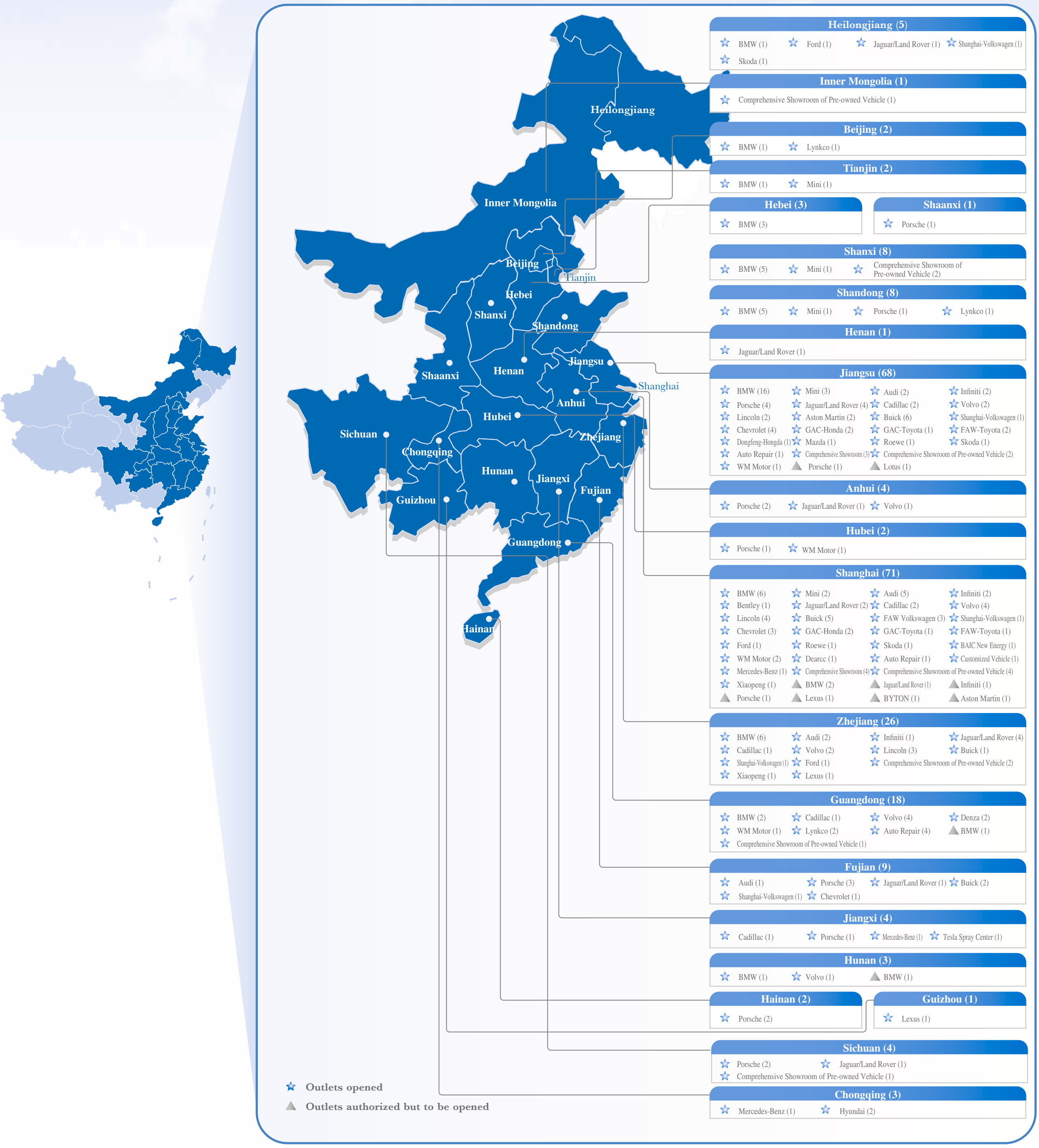
In 2019, in respect of new outlets authorizations, we obtained authorizations to open 10 passenger vehicles sales and services outlets focusing on luxury and ultra-luxury brands, including 1 Porsche 4S dealership, 3 BMW 4S dealerships, 1 Aston Matin 4S dealership, 1 BYTON city showroom, 2 Xiaopeng city showrooms and 1 Lotus city showroom.

In addition to the self-built network authorized by manufacturers, merger and acquisition is also an important alternate for our network expansion. We proactively kept an eye on the opportunities for industry integration and continued to strengthen our key brand layout in key regions through merger and acquisition. In respect of merger and acquisition strategy, we mainly considered the brand value, regional advantage and existing and future profitability, making sure the acquisition price is kept within a reasonable range. In 2019, we completed the acquisitions of a Porsche 4S dealership in Nanchang City, Jiangxi Province, a Mercedes-Benz 4S dealership in Jiujiang City, Jiangxi Province, a Mercedes-Benz 4S dealership in Shanghai, a Lexus 4S dealership in Shaoxing City, Zhejiang Province, a Lincoln 4S dealership in Shanghai and a Tesla licensed metal sheet painting and maintenance center in Nanchang City, Jiangxi Province.

Management Discussion & Analysis

In 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 December 31, 2019, our total number of outlets that were opened and outlets with authorization to be opened amounted to 246. Such outlets spread across 4 municipalities and 18 provinces in China, including 208 opened manufacturer authorized outlets, 26 opened non-manufacturer authorized outlets and 12 manufacturer authorized outlets to be opened. Set out below are the details of our outlets as at December 31, 2019:

	Opened outlets	Authorized outlets to be opened	Total
4S dealerships of luxury and ultra-luxury brands	119	10	129
4S dealerships of mid- to high-end brands	55	0	55
4S dealerships of new energy brands	9	0	9
City showrooms of luxury brands	17	0	17
City showrooms of new energy brands	2	2	4
Authorized service centers of luxury brands	4	0	4
Authorized certified pre-owned vehicle center of luxury brands	2	0	2
Subtotal of outlets authorized by the manufacturers	**208**	**12**	**220**
"Auto Repair" maintenance centers of luxury automobiles	6	–	6
Comprehensive showrooms of passenger vehicles	7	–	7
Yongda Pre-owned Vehicle Malls	13	–	13
Subtotal of non-manufacturer authorized outlets	**26**	–	**26**
Total outlets	**234**	**12**	**246**


Heilongjiang
Inner Mongolia
Beijing
Tianjin
Hebei
Shanxi
Shandong
Shaanxi
Henan
Jiangsu
Shanghai
Anhui
Sichuan
Hubei
Chongqing
Zhejiang
Hunan
Jiangxi
Fujian
Guizhou
Guangdong
Hainan
Heilongjiang (5)
BMW (1) Ford (1) Jaguar/Land Rover (1) Shanghai-Volkswagen (1) Skoda (1)
Inner Mongolia (1)
Comprehensive Showroom of Pre-owned Vehicle (1)
Beijing (2)
BMW (1) Lynkco (1)
Tianjin (2)
BMW (1) Mini (1)
Hebei (3)
BMW (3)
Shaanxi (1)
Porsche (1)
Shanxi (8)
BMW (5) Mini (1) Comprehensive Showroom of Pre-owned Vehicle (2)
Shandong (8)
BMW (5) Mini (1) Porsche (1) Lynkco (1)
Henan (1)
Jaguar/Land Rover (1)
Jiangsu (68)
BMW (16) Mini (3) Audi (2) Infiniti (2)
Porsche (4) Jaguar/Land Rover (4) Cadillac (2) Volvo (2)
Lincoln (2) Aston Martin (2) Buick (6) Shanghai-Volkswagen (1)
Chevrolet (4) GAC-Honda (2) GAC-Toyota (1) FAW-Toyota (2)
Dongfeng-Hongda (1) Mazda (1) Roewe (1) Skoda (1)
Auto Repair (1) Comprehensive Showroom (3) Comprehensive Showroom of Pre-owned Vehicle (2)
WM Motor (1) Porsche (1) Lotus (1)
Anhui (4)
Porsche (2) Jaguar/Land Rover (1) Volvo (1)
Hubei (2)
Porsche (1) WM Motor (1)
Shanghai (71)
BMW (6) Mini (2) Audi (5) Infiniti (2)
Bentley (1) Jaguar/Land Rover (2) Cadillac (2) Volvo (4)
Lincoln (4) Buick (5) FAW Volkswagen (3) Shanghai-Volkswagen (1)
Chevrolet (3) GAC-Honda (2) GAC-Toyota (1) FAW-Toyota (1)
Ford (1) Roewe (1) Skoda (1) BAIC New Energy (1)
WM Motor (2) Dearcc (1) Auto Repair (1) Customized Vehicle (1)
Mercedes-Benz (1) Comprehensive Showroom (4) Comprehensive Showroom of Pre-owned Vehicle (4)
Xiaopeng (1) BMW (2) Jaguar/Land Rover (1) Infiniti (1)
Porsche (1) Lexus (1) BYTON (1) Aston Martin (1)
Zhejiang (26)
BMW (6) Audi (2) Infiniti (1) Jaguar/Land Rover (4)
Cadillac (1) Volvo (2) Lincoln (3) Buick (1)
Shanghai-Volkswagen (1) Ford (1) Comprehensive Showroom of Pre-owned Vehicle (2)
Xiaopeng (1) Lexus (1)
Guangdong (18)
BMW (2) Cadillac (1) Volvo (4) Denza (2)
WM Motor (1) Lynkco (2) Auto Repair (4) BMW (1)
Comprehensive Showroom of Pre-owned Vehicle (1)
Fujian (9)
Audi (1) Porsche (3) Jaguar/Land Rover (1) Buick (2)
Shanghai-Volkswagen (1) Chevrolet (1)
Jiangxi (4)
Cadillac (1) Porsche (1) Mercedes-Benz (1) Tesla Spray Center (1)
Hunan (3)
BMW (1) Volvo (1) BMW (1)
Hainan (2)
Porsche (2)
Guizhou (1)
Lexus (1)
Sichuan (4)
Porsche (2) Jaguar/Land Rover (1)
Comprehensive Showroom of Pre-owned Vehicle (1)
Chongqing (3)
Mercedes-Benz (1) Hyundai (2)
Outlets opened
Outlets authorized but to be opened

Continuously Improved Management

In recent years, new characteristics arose in the domestic automobile sales service industry along with changes in market trends. It has gradually evolved from high quantity growth into quality growth. The application of big data on the Internet has changed the traditional marketing approach, and the new generation of consumer groups has gradually stepped into the stage of history. Facing the new industry trends, the Company always keeps pace with the times, optimizes and adjusts operation and management strategies timely according to the market situation, actively responds to various changes and challenges, and seeks enhancement and breakthrough in innovations in management.

Facing the slowdown of market growth and the trend evolving from quantity growth into quality growth, the Company always prioritizes maintaining stable cash flows as a key task of operation and management. In 2019, by linking both stock management and capital management, the Company further improved the efficiency of the stock management. While reducing the inventory turnover days, the application of the stock structure and financing instruments has also been significantly optimized, laying a solid foundation for the Company in terms of operating cash flow output.

With the transformation and updates in the industry, there are demands in terms of new Internet technology. As a result, the Company is vigorously promoting the construction of Digital Yongda, which will become a new business pattern with "vehicle" as the carrier and "customers" as the center in the future. Internally, we established a well-managed and efficient digital team that managed, analyzed and made decisions promptly based on complete, transparent and real-time business data; externally, we made use of advanced technologies such as big data and artificial intelligence to achieve precise marketing and improve customer satisfaction. We have developed loyal Yongda supporters fully based on our customer base, vigorously explored cross-industry cooperation, realized online and offline linkages, and built an interconnected, professional and efficient leading digital automotive service ecosystem in China.

In terms of customer asset management, the membership service platform of the Company launched officially in 2019. The platform allows the deposit and exchange of customers' membership points accumulated from different brands and stores within the Group, vouchers and marketing service products to be consolidated. It also provides convenient online consultation, reservation and other service functions. The Company always upholds the belief that all future business operations should be customer-centric and based on customers' demands. By virtue of the optimization of internal processes and the improvement of service quality, the Company achieved continuous improvement in 2019 in key customer indicators such as customers maintenance rate, retention rate, replacement and repurchase rate, which also laid a good foundation for future aftermarket growth.

The Company has actively engaged youth talents in response to the younger trend in consumer base, 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 the 90s, satisfying the young characteristics and consumption trend of our customer base, which laid a good foundation for our future business development. In terms of management, the Company further authorized the operation and management and empowered the front-line business team, so that they could respond to the rapid market changes more flexibly.

Acquisition of the Entire Issued Shares of Inchcape Asia Pacific Limited

On October 2, 2019, the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Inchcape Overseas Limited (the "Seller"), pursuant to which, the Company agreed to acquire, and the Seller agreed to sell, the entire issued shares of Inchcape Asia Pacific Limited with a consideration of RMB830.0 million (being the sum of the adjusted consolidated net assets of the target group as at April 30, 2019 of RMB590.9 million and the acquisition premium of RMB239.1 million, subject to adjustments both at completion and post-completion). The consideration of this acquisition was determined after arm's-length negotiations between the Company and the Seller on normal commercial terms based on the principles of equality and voluntariness with reference to the net assets, profitability and business prospect of Inchcape Asia Pacific Limited and its subsidiaries as well as market conditions. The Directors strongly believe that this acquisition will help strengthen and expand the 4S outlets and network coverage of the Company and further improve the ability to provide customers with comprehensive automobile related services.

All conditions precedent in the Sale and Purchase Agreement have been satisfied and the completion took place on December 12, 2019. Upon completion, the initial consideration determined by both parties according to the Sale and Purchase Agreement was RMB818.5 million (being the sum of the estimated net assets of the target group at completion of RMB579.4 million and the acquisition premium of RMB239.1 million, subject to further adjustments post-completion). The estimated net assets of RMB579.4 million include approximately RMB309.7 million of cash and cash equivalents and there is no borrowing from financial institutions. As the target group paid the agreed amount of compensations to its employees at completion, the estimated net assets were slightly lower than the adjusted consolidated net assets of the target group as at April 30, 2019 of RMB590.9 million. As at the date of this annual report, there has not been any further adjustment to the initial consideration.

For further details, please refer to the announcements of the Company dated October 2, 2019 and December 12, 2019.

FINANCIAL REVIEW

Revenue

Revenue was RMB62,707.4 million in 2019, a 13.4% increase from RMB55,318.5 million in 2018, which was primarily due to the growth of sales of luxury and ultra-luxury brand 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 year ended December 31,					
	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	**43,769,195**	**128,628**	**340**	38,233,659	111,323	343
Mid-to-high-end brands	**9,165,483**	**68,754**	**133**	8,505,704	65,596	130
Subtotal	**52,934,678**	**197,382**	**268**	46,739,363	176,919	264
After-sales services	**8,896,622**	**–**	**–**	7,835,420	–	–
Automobile rental services	**527,776**	**–**	**–**	408,361	–	–
Proprietary finance business	**510,642**	**–**	**–**	543,378	–	–
Inter-segment eliminations	**(162,338)**	**–**	**–**	(208,036)	–	–
Total	**62,707,380**	**–**	**–**	55,318,486	–	–

The sales volume of passenger vehicles from the passenger vehicle sales and services segment was 197,382 units in 2019, a 11.6% increase from 176,919 units in 2018, among which, the sales volume of luxury and ultra-luxury brand passenger vehicles in 2019 was 128,628 units, a 15.5% increase from 111,323 units in 2018.

Revenue of passenger vehicle sales from the passenger vehicle sales and services segment was RMB52,934.7 million in 2019, a 13.3% increase from RMB46,739.4 million in 2018, among which, the sales revenue from luxury and ultra-luxury brand passenger vehicles was RMB43,769.2 million in 2019, a 14.5% increase from RMB38,233.7 million in 2018.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB8,896.6 million in 2019, a 13.5% increase from RMB7,835.4 million in 2018.

Revenue from the automobile rental services segment was RMB527.8 million in 2019, a 29.2% increase from RMB408.4 million in 2018.

Revenue from the proprietary finance business segment was RMB510.6 million in 2019, a 6.0% decrease from RMB543.4 million in 2018.

Cost of Sales and Services

Cost of sales and services was RMB56,843.5 million in 2019, a 13.4% increase from RMB50,111.8 million in 2018, which was basically consistent with the growth in our revenue.

Cost of sales for sales of passenger vehicles from the passenger vehicle sales and services segment was RMB51,688.5 million in 2019, a 13.3% increase from RMB45,633.5 million in 2018, which was basically consistent with the growth in our revenue from passenger vehicle sales.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB4,771.5 million in 2019, a 13.2% increase from RMB4,215.4 million in 2018, which was basically consistent with the growth in our revenue from after-sales services.

Cost of services for the automobile rental services segment was RMB393.7 million in 2019, a 33.2% increase from RMB295.5 million in 2018. The increase was higher than the increase in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB166.1 million in 2019, a 15.5% decrease from RMB196.5 million in 2018. The decrease was more than the decrease in our revenue from the proprietary finance business segment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB5,863.9 million in 2019, a 12.6% increase from RMB5,206.7 million in 2018. Gross profit margin in 2019 was 9.35%, a slight decrease as compared to 9.41% in 2018.

Gross profit of the passenger vehicle sales from the passenger vehicle sales and services segment was RMB1,246.2 million in 2019, a 12.7% increase from RMB1,105.9 million in 2018. Gross profit margin of passenger vehicle sales was 2.35% in 2019, which remained basically flat as compared to 2.37% in 2018.

Gross profit of after-sales services from the passenger vehicle sales and services segment was RMB4,125.1 million in 2019, a 14.0% increase from RMB3,620.0 million in 2018. In 2019, the gross profit margin of our after-sales services was 46.37%, representing a slight increase compared to 46.20% in 2018.

Gross profit from the automobile rental services segment was RMB134.1 million in 2019, a 18.8% increase from RMB112.8 million in 2018. Gross profit margin for automobile rental services was 25.41% in 2019, representing a decrease compared to 27.63% in 2018.

Gross profit from the proprietary finance business segment in 2019 was RMB344.6 million, a 0.6% decrease from RMB346.8 million in 2018. Gross profit margin for the proprietary finance business segment was 67.48% in 2019, representing an increase compared to 63.83% in 2018.

Other Income and Other Gains and Losses

Other income and other gains and losses were RMB1,177.3 million in 2019, a 14.4% increase from RMB1,029.2 million in 2018. The increase was primarily due to the fact that revenue of the finance and insurance related post-market agency services business of the passenger vehicle sales and services segment amounted to RMB1,106.3 million in 2019, a 10.2% increase from RMB1,004.4 million in 2018.

Distribution and Selling Expenses and Administrative Expenses

Distribution and selling expenses and administrative expenses were RMB4,222.3 million in total in 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 RMB90.8 million in 2019. After factoring in the impact of IFRS 16, distribution and selling expenses and administrative expenses were RMB4,313.1 million in total in 2019, representing an increase of 11.7% compared to RMB3,862.4 million in 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 in 2019 decreased to 6.87% from 6.98% in 2018.

Operating Profit

As a result of the foregoing, the operating profit was RMB2,818.9 million in 2019, a 18.8% increase from RMB2,373.5 million in 2018.

Finance Costs

Finance costs were RMB778.1 million in 2019. In accordance with IFRS 16, there was an increase in finance cost of RMB102.9 million in 2019. After excluding the impact of IFRS 16, finance costs were RMB675.2 million in 2019, representing a decrease of 0.9% compared to RMB681.3 million in 2018, which was primarily due to the decrease in finance balance as a result of the decrease in turnover days of inventories and the increase in cash generated from operating activities. In terms of percentage of revenue, after excluding the impact of IFRS 16, the percentage of finance costs decreased from 1.23% in 2018 to 1.08% in 2019.

Profit before Tax

As a result of the foregoing, the profit before tax was RMB2,075.8 million in 2019, a 18.4% increase from RMB1,752.6 million in 2018.

Income Tax Expense

Income tax expenses were RMB506.7 million in 2019, a 18.5% increase from RMB427.5 million in 2018. Our actual income tax rate was 24.4% in 2019, which remained consistent with 2018.

Profit

As a result of the foregoing, the profit was RMB1,569.1 million in 2019, a 18.4% increase from RMB1,325.0 million in 2018.

Profit attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company was RMB1,473.0 million in 2019, a 17.5% increase from RMB1,253.1 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are 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, expanding 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.

In 2019, our net cash generated from operating activities was RMB4,108.7 million, among which, net cash generated from operating activities of automobile sales and services business was RMB3,972.3 million, and net cash generated from operating activities of proprietary finance business was RMB136.4 million. In 2018, our net cash generated from operating activities was RMB1,698.5 million, among which, net cash generated from operating activities of automobile sales and services business was RMB2,159.6 million, and net cash used in operating activities of proprietary finance business was RMB461.1 million. As compared to that in 2018, our net cash generated from operating activities of automobile sales and services business increased by RMB1,812.7 million, and our net cash generated from operating activities of proprietary finance business increased by RMB597.5 million.

In 2019, our net cash used in investment activities was RMB2,131.9 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB1,760.0 million, the amount for acquisition of subsidiaries of RMB668.9 million, which was partially offset by the proceeds from the disposal of property, plant and equipment of RMB447.8 million. In 2018, our net cash used in investing activities was RMB1,682.9 million.

In 2019, our net cash used in financing activities was RMB1,822.6 million, which mainly included the repayment of bank loans and other borrowings of RMB26,933.3 million, the repayment of super short-term commercial papers and corporate bonds of RMB3,300.0 million, the payment of interest of RMB691.8 million, and the payment of dividends of RMB413.7 million, which was partially offset by the proceeds from bank loans and other borrowings of RMB29,795.5 million. In 2018, our net cash generated from financing activities was RMB322.9 million.

Inventories

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

Our inventories were RMB5,626.8 million as of December 31, 2019, a 3.5% 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 year ended December 31,	
	2019	2018
Average inventory turnover days[1]	**36.8**	43.5

Note:

(1) 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.

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights, intangible assets (vehicle licence plates) and acquisition of subsidiaries, which was partially offset by the proceeds from the disposal of property, plant and equipment. In 2019, our total capital expenditures were RMB1,981.0 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	2019
	(RMB million)
Expenditures on purchase of property, plant and equipment – test-drive automobiles and vehicles for automobile rental and travelling services purposes	**1,192.4**
Expenditures on purchase of property, plant and equipment – primarily used for establishing new automobile sales and service outlets	**516.1**
Expenditures on purchase of land use rights	**6.5**
Expenditures on purchase of intangible assets (vehicle licence plates)	**44.9**
Expenditures on acquisition of subsidiaries	**668.9**
Proceeds from the disposal of property, plant and equipment (mainly test-drive automobiles and vehicles for automobile rental purposes)	**(447.8)**
Total	**1,981.0**

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. As of December 31, 2019, the outstanding amount of our borrowings amounted to RMB12,852.0 million, a decrease of 4.0% from RMB13,389.0 million as of December 31, 2018. The following table sets forth the maturity profile of our borrowings as of December 31, 2019:

	As of December 31, 2019 *(RMB million)*
Within one year	**10,129.4**
One to two years	**–**
Two to five years	**2,722.6**
Total	**12,852.0**

As of December 31, 2019, our net gearing ratio (being net liabilities divided by total equity) was 98.7% (as of December 31, 2018: 118.6%). Net liabilities represent borrowings, super short-term commercial papers and corporate bonds minus cash and cash equivalents and time deposits.

As of December 31, 2019, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2019 consisted of (i) inventories of RMB1,198.3 million; (ii) property, plant and equipment of RMB129.3 million; (iii) land use rights of RMB167.6 million; and (iv) equity interests of our subsidiaries of RMB1,298.2 million.

Contingent Liabilities

As of December 31, 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 certain derivative financial instruments to hedge our 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 December 31, 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

It is expected that in the next few years, driven by the demand for consumption upgrades and consumption policies, the consumption market of luxury passenger vehicles in China will keep growing. With the good brand image and service reputation as well as the enhanced homemade products with competitive advantages, luxury automobile brands will become the market segment with the most stable growth in the overall passenger vehicle market with an expected annual compound growth rate at around 8-10%. In addition, it is expected that the rising passenger vehicle ownership will also bring more development opportunities to the automotive service aftermarket.

The Company will focus on the main business of automobile sales and services, aiming to maintain a relatively high and constant growth, particularly in concentrating on the development of luxury brand agency business. In 2020, as the new Porsche brand outlets the Company invested in start to gradually commence operation, the sales, production capacity of the after-sales services and profit contribution from the Porsche brand will significantly increase; as to the BMW brand, it will maintain the market share by relying on its main models this year and it is expected that the market will experience a new round of incremental opportunities; it is also planned that several Mercedes-Benz and Lexus outlets the Company invested in will boost the rapid growth; Audi, Jaguar/Land Rover, Lincoln and other luxury brands will hopefully begin to gradually demonstrate a recovery trend in gross profit.

In terms of network development, we will uphold the strategy of prioritizing the development of major luxury brands and expand the outlets of major luxury brands such as Porsche, BMW, Mercedes-Benz and Lexus, seizing the opportunities arising out of the integration phase of the industry. We will build our national outlet network through self-built outlets and high-quality mergers and acquisitions, balancing the importance on scale and quality. For the existing network, we emphasize on improving after-sales services while capacity reforms and expansion will be implemented for existing stores. We will also take full advantage of the potential growth of after-sale services of new stores within five years after commencement of operation, and will take initiatives to close down any outlets with poor profitability in order to revitalize existing assets and optimize the brand structure.

By coordinating and integrating the finance, pre-owned vehicles and new energy automobile businesses, we will fulfil innovate the modes of attracting customers and new retail models as well as empower the principal business of automobile sales and services in terms of professional talent cultivation in order to meet the evolving demands of consumers. We will also fully utilize the favorable changes in the industry policies and continue to explore related potential businesses such as centralized sheet metal painting centers and self-operated vehicle maintenance products, so as to focus our profit structure focus on the aftermarket development.

Looking forward, targeting the rapid growth in the principal business of the automotive services, we will focus on improving operational management and enhancing our competitive advantages through: strengthening the local retail and inventory turnover management of new vehicles, seizing the growth of production capacity of the after-sales services and continuous enhancement of the service absorption rate and maintaining the solid retention customers and services. We will build an internal lean management benchmarking system and an external smart retail system through digital establishment and accelerate the construction of more contacts and marketing channels of online new media. We will also optimize the Company's appraisal management and incentive mechanism, strengthen the team building and future talent reserves of the Company so as to maintain a healthy and stable cash flows and gearing ratio of the Company, refine the Company's capabilities to respond to significant social contingencies, enhance our brand image and proactively implement the ESG development philosophy, fulfilling our corporate social responsibility. Ultimately, we will achieve a higher-quality operation and management, sound returns for the Shareholders as well as sustainable development goals of the Company.

Directors and Senior Management

DIRECTORS

Executive Directors

CHEUNG Tak On (張德安), aged 53, is our Chairman and was appointed as our executive Director on January 18, 2012 and is the vice-president of the Shanghai Federation of Industry and Commerce, and was a committee member of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Cheung has extensive experience in the passenger vehicle dealership sector and is responsible for setting the strategic vision, direction and goals of our Group and he participates in our Group's strategic and key operational decision-making processes. Mr. Cheung was brought up in the PRC. From November 1999 to February 2005 and from November 2005 to September 2018, Mr. Cheung has been the chairman of Shanghai Yongda Holding (Group) Limited (上海永達控股(集團)有限公司) ("Yongda Holding"), where he has been mainly responsible for overseeing its overall development and formulating corporate and business strategies. Mr. Cheung obtained an adult higher education training certificate in economic law jointly granted by The Open University of China (中央廣播電視大學) and China University of Political Science and Law (中國政法大學) in 1996 and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2001. Mr. Cheung also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from September 1999 to December 2001, and the China CEO Program jointly offered by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, IMD and London Business School in 2011. Mr. Cheung completed the course of China CEO Global Research Proposal (《中國CEO全球研修計劃》) organised by Overseas Education Collage of Shanghai Jiaotong University (上海交通大學) in 2014.

CAI Yingjie (蔡英傑), aged 52, is our Vice-chairman and was re-designated from our President to Chief Executive Officer on March 23, 2015 and was appointed as our executive Director on January 18, 2012. Mr. Cai is responsible for overseeing our operations and investment, managing our relationships with automobile manufacturers and exploring new business opportunities for our Group. Mr. Cai currently is the chairman or a director of several of our subsidiaries. From November 1998 to December 2011 and since September 2018, he was the director of Shanghai Yongda Group Company Limited ("Yongda CLS") and its general manager from November 1999 to December 2011. Mr. Cai was also a director of Yongda holding. Prior to joining the Group, Mr. Cai worked in Shanghai Shenbao Automobiles Factory (上海申寶汽車廠) (later known as Shanghai Shenbao Automobiles Co., Ltd. (上海申寶汽車有限公司)), where he was responsible for automobiles inspection and management of the fleet of automobiles. Mr. Cai received the Executive Management Education Certificate from the Chinese Enterprise CEO Program at Cheung Kong Graduate School of Business in 2016 and graduated from Nanjing Army Command College (南京陸軍指揮學院) with an adult higher education bachelor diploma in law in 2002.

Directors and Senior Management

WANG Zhigao (王志高), aged 51, is our Vice-chairman. Mr. Wang was our non-executive Director from January 2012 to March 2015 and re-designated as our executive Director on March 23, 2015. Mr. Wang is responsible for managing our strategies, remuneration and work in relation to professional capital market institutions and guiding the financial management and legal affairs of our Group. Mr. Wang served as a director of Yongda Holding since January 2005, and re-designed as the chairman of Yongda Holding in September 2018. Mr. Wang served as a director of Yongda CLS since December 2003, and re-designed as its chairman in September 2018. Mr. Wang is also currently the chairman or a director of several of our subsidiaries. Prior to joining the Group, Mr. Wang was successively a lawyer at Shanghai Xin Cheng Law Firm (上海信誠律師事務所) and Shanghai Jin Shi Law Firm (上海金石律師事務所). He was a lecturer at East China University of Political Science and Law (華東政法大學) from August 1992 to December 1996. Mr. Wang graduated from East China University of Politics and Law with a bachelor's degree in economic law in 1992 and a master's degree in law in 1999. Mr. Wang also received a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2007.

XU Yue (徐悦), aged 44, was appointed as our executive Director on March 23, 2015 and as our Vice-chairman on March 25, 2020, and is fully responsible for the operation and management of our Group. Mr. Xu was our President from March 2015 to February 2016 and has been re-appointed as our President since September 12, 2016. Mr. Xu is also currently the chairman of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) ("Yongda Automobile Group"), which is an indirect wholly-owned subsidiary of the Company, and the chairman or a director of several of our subsidiaries. Mr. Xu joined our Group in 1999 and has more than 19 years of experience in the passenger vehicle dealership sector. He was the executive vice-president of the Company from January 2012 to March 2015 and the assistant to the chief executive officer of Yongda Holding from January 2009 to December 2011. From June 2004 to January 2009, Mr. Xu was the deputy general manager of Yongda CLS and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司) ("Shanghai Baozen"). Between February 2002 and March 2004, Mr. Xu was the secretary to the chief executive officer of Yongda Holding, where he was mainly responsible for assisting the chief executive officer with daily administration. From November 2000 to February 2002, Mr. Xu was the general manager of Shanghai Yongda International Trading, Ltd. (上海永達國際貿易有限公司), where he was mainly responsible for the import of passenger vehicles. Between October 1999 and November 2000, Mr. Xu was the assistant to the general manager of Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司). Mr. Xu received a bachelor diploma in practical English and a secondary college diploma in international business and finance management from Shanghai Normal University (上海師範大學) in June 1997, and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2005. Mr. Xu also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from October 2003 to July 2005. In 2015, Mr. Xu obtained a master's degree in Business Administration at China Europe International Business School (中歐國際工商學院).

CHEN Yi (陳昳), aged 47, was appointed as our executive Director on March 23, 2015 and was responsible for the operation and management of the automobile finance business and related management of our Group. Ms. Chen was re-appointed as our vice-president on September 12, 2016 and since February 2016, Ms. Chen has been a director of Yongda Automobile Group. From March 2014 to February 2016, Ms. Chen was the vice-president of our Company and the general manager of the finance innovation department. She has over 20 years of experience in the banking and financial industry. Prior to joining us, Ms. Chen was the senior assistant to the president of the Transportation Finance Division and the director of Eastern China Automobile Business Division of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) (Shanghai Stock Exchange ("SSE") stock code: 600016 and The Stock Exchange of Hong Kong Limited ("SEHK") stock code: 01988) ("CMBC") from April 2013 to January 2014. From February 2004 to April 2013, Ms. Chen held several managerial positions in CMBC, including the senior customer manager of the Shanghai Anting branch of CMBC, the general manager of the Industrial and Commercial Enterprises Finance Division Two of CMBC, the general manager of the automobile finance department and the branch manager of the Shanghai Jiading branch of CMBC and the branch manager of the Shanghai Gubei branch of CMBC. From July 1995 to February 2004, she worked at the Credit Card Division, Personal Banking Division and Customer Service Division of Bank of Communications Co., Ltd. (交通銀行股份有限公司) (SSE stock code: 601328 and SEHK stock code: 03328). Ms. Chen obtained a professional diploma in International Finance from the Shanghai Institute of Finance (上海金融學院), formerly known as the Shanghai Higher Institute of Finance (上海金融高等學院) in 1995 and a bachelor's degree in currency and banking from Shanghai Jiaotong University (上海交通大學) in 2000. She also obtained a master's degree in Executive Master of Business Administration from Shanghai Advanced Institute of Finance (上海高級金融學院) of Shanghai Jiaotong University in 2014 and is currently enrolling into a Ph.D. degree in Global Financial Business Administration of Shanghai Advanced Institute of Finance.

Non-executive Director

WANG Liqun (王力群), aged 66, was appointed as our non-executive Director on January 18, 2012, and is responsible for formulating major policies of our Group. Mr. Wang has been the chairman of the board of Shanghai Stone Capital Co., Ltd (上海磐石投資有限公司) since 2008 and participating in its material business decisions and strategic planning; has been an independent director of Pengxin International Mining Co., Ltd (鵬欣環球資源股份有限公司) (SSE stock code: 600490) since May 20, 2015; has been an independent director of Shanghai Jiao Yun Group Co., Ltd. (上海交運集團股份有限公司) (SSE stock code: 600676) since November 18, 2014; has been an independent director of Huayi Brothers Media Corporation (華誼兄弟傳媒股份有限公司) (Shenzhen Stock Exchange ("SZSE") stock code: 300027) since 2014; has been the independent non-executive director of E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司) (SEHK stock code: 2048) since July 10, 2018. Mr. Wang has served a number of positions, including a director, general manager and senior consultant of Shanghai Bashi Industrial (Group) Co., Ltd. (上海巴士實業(集團)股份有限公司) (now known as Huayu Automotive Systems Company Limited (華域汽車系統股份有限公司)) (SSE stock code: 600741). From 1999 to 2007, Mr. Wang was the chairman of Shanghai Urban Rail System Corporation (上海現代軌道交通股份有限公司). From 1999 to 2001, Mr. Wang was the general manager of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司). From 2010 to 2016, Mr. Wang was the independent director of Talkweb Information System Co., Ltd (拓維信息系統股份有限公司) (SZSE stock code: 002261). Mr. Wang was the director of Shanghai Xintonglian Packaging Co., Ltd. (上海新通聯包裝股份有限公司) (SSE stock code: 603022) from 2010 to 2018 and was the director of Shanghai Fortune Techgroup Co., Ltd. (上海潤欣科技股份有限公司) (SZSE stock code: 300493) from 2012 to January 2019. Mr. Wang was qualified as a senior economist (高級經濟師) in 1992 by the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列(生產領域)高級專業技術職務任職資格評審委員會) and was awarded the title of "Outstanding Young Entrepreneur" (傑出青年企業家) by the Youth Communist League Committee of Shanghai (共青團上海市委員會) and Shanghai Youth Entrepreneurs Association (上海市青年企業家協會). Mr. Wang obtained a college diploma in economics management from the School of Construction and Management of the University of Shanghai Urban Construction College (上海城市建設學院) in 1987.

Directors and Senior Management

Independent Non-executive Directors

LYU Wei (呂巍), aged 55, was appointed as our independent non-executive Director on January 18, 2012. Mr. Lyu is currently a professor of Management Department of Antai College of Economics and Management (安泰經濟與管理學院) at Shanghai Jiao Tong University (上海交通大學). From November 2014 to May 2015, Mr. Lyu was the head of preparatory group of the Faculty of the Cultural and Creative Industry of University of Southern California and Shanghai Jiao Tong University (上海交通大學美國南加州大學文化創意產業學院). From 2003 to November 2014, Mr. Lyu was the Associate Dean of the Antai College of Economics and Management at Shanghai Jiao Tong University. Between February 1997 and March 2003, Mr. Lyu was an assistant to the Dean of the School of Management of Fudan University (復旦大學) and a professor in its Department of Marketing from November 2001 to March 2003. From 1996 to 1997, Mr. Lyu was a visiting scholar at the Sloan School of Management of Massachusetts Institute of Technology. From 1994 to 1996, Mr. Lyu was a visiting scholar at the University of Southern California.

Mr. Lyu's academic qualifications and extensive experiences have led to his appointments in a number of listed companies:

Companies	Positions	Duration
Whirlpool (China) Co., Ltd. (惠而浦(中國)股份有限公司) (SSE stock code: 600983)	Director	June 2017 – present
Shandong Wohua Pharmaceutical Co., Ltd. (山東沃華醫藥科技股份有限公司) (SZSE stock code: 002107)	Independent Director	January 2016 – present
Foshan Electrical and Lighting Co Ltd (佛山電器照明股份有限公司) (SZSE stock code: 000541)	Independent Director	December 2015 – present
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易開發區股份有限公司) (SSE stock code: 600663)	Independent Director	May 2015 – present
Luolai Lifestyle Technology Co., Ltd. (羅萊生活科技股份有限公司) (formerly known as Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司)) (SZSE stock code: 002293)	Independent Director	November 2007 – October 2013 January 2017 – present
China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司) (formerly known as China Seven Star Holdings Limited (中國七星控股有限公司) and China Seven Star Shopping Limited (中國七星購物有限公司)) (SEHK stock code: 245)	Independent Non-executive director	June 2005 – July 2019
Shanghai Shibei Hi-Tech Co., Ltd. (上海市北高新股份有限公司) (SSE stock code: 600604)	Independent Director	September 2012 – January 2018

Mr. Lyu graduated with a bachelor's degree in management science from Fudan University (復旦大學) in 1986 before obtaining his master's degree in economics in 1989 and doctorate in economics in 1996 at the same university.

MU Binrui (牟斌瑞), aged 63, has been appointed as an independent non-executive Director of the Company with effect from 1 January 2019. Mr. Mu has over 35 years of extensive experience in the banking industry. Before joining the Company, Mr. Mu joined the Bank of China in 1980, and was transferred to the headquarters of Bank of Communications in 1992, where he held the positions of deputy director, director and deputy general manager of the international business department as well as the deputy general manager of the corporate affairs department, respectively, during 1992 to 2004. Mr. Mu was appointed as general manager of the credit management department of the headquarters of Bank of Communications in 2004, and subsequently the deputy chief credit officer and general manager of the credit management department of Bank of Communications in 2013. Mr. Mu was awarded State Council Special Allowance by the People's Republic of China in February 2013, and retired in October 2016. From January 2017 to March 2018, Mr. Mu held the position of an independent non-executive director of Huabang Financial Holdings Limited (previously known as Goldenmars Technology Holdings Limited) (stock code: 3638), a company listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Mu graduated from Renmin University of China with a bachelor's degree in finance in 1987, and obtained the title of Senior Economist in 1997.

ZHU Anna Dezhen (朱德貞), aged 62, was appointed as our independent non-executive Director on 8 May 2015, and is currently the chairman of the board of Xiamen De Yi Equity Investment Management Co., Ltd. (廈門德屹股權投資管理有限公司), where she is mainly responsible for operation and management of investment. Ms. Zhu has over 32 years of extensive experience in financial analysis, market analysis, investment management and general corporate management. Before joining Xiamen De Yi Equity Investment Management Co., Ltd., Ms. Zhu was a senior manager of China National Offshore Oil Corporation, where she was mainly responsible for analysis of crude oil market, from October 1982 to September 1988. From March 1992 to June 1993, Ms. Zhu was an analyst at The Bank of New York Company, Inc., where she was mainly responsible for systems analysis. From June 1993 to September 1999, Ms. Zhu was the vice-chairman of business of JP Morgan Investment Bank of the United States, where she was mainly responsible for establishing the financial model. Ms. Zhu was a manager of Strategic Planning of Micron Technology, Inc. (New York Stock Exchange stock code: MU), where she was mainly responsible for strategic planning, from May 2000 to October 2001; the chief operating officer of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), from October 2001 to June 2003; and the president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), where she was mainly responsible for operations management, from June 2003 to May 2008. From May 2008 to December 2010, Ms. Zhu was the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, where she was mainly responsible for the operation and management of investment. From December 2010 to June 2016, Ms. Zhu was the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd.. Ms. Zhu has also been serving as a non-executive director of Fuyao Glass Industry Group Co., Ltd. (SSE stock code: 600660 and SEHK stock code: 03606) since November 2011, an independent director of Bright Dairy & Food Co., Ltd. (SSE stock code: 600597) since April 2015 and an independent director of Hunan TV & Broadcast Intermediary Co. Ltd. (SZSE stock code: 000917) since August 2016. In the area of professional qualification, Ms. Zhu is a director of the Chinese Economists 50 Forum, a director of Heren Charitable Foundation and a director of the Western Returned Scholars Association. With respect to the academy, Ms. Zhu is a part-time professor in the School of Management of Xiamen University (廈門大學). Ms. Zhu received a bachelor's degree in literature from Xiamen University in 1982, a bachelor's degree in economics from College of Saint Elizabeth in 1990 and a master's degree in business administration from Pace University in 1992. Ms. Zhu obtained a doctor's degree in economics from Xiamen University in 2013.

SENIOR MANAGEMENT

Our senior management team, in addition to our directors listed above, is as follows:

TANG Liang (唐亮), aged 41, was appointed as our Vice-president since September 12, 2016 and is responsible for assisting the President of the Group in work execution related to the operation and management of the automobile sales business. Mr. Tang is currently also a director of Yongda Automobile Group. Mr. Tang was the assistant to our President of the Group from March 2015 to February 2016. Mr. Tang joined us on May 4, 2010 and served as the deputy general manager and the general manager of Shanghai Baozen and the vice director of Baozen Business Division. Mr. Tang has over 16 years of working experience in the automobile industry. Prior to joining us, Mr. Tang worked at SGM Automobile Manufacturing Department (上海通用汽車製造部) from April 2004 to the end of 2008, during which period he held a number of managerial positions in respect of engineering and production, and later served as the assistant to the vice-president of SGM Automobile Marketing (上海通用汽車營銷) from the end of 2008 until he joined our Group. Mr. Tang graduated from the Material Science and Engineering Institute of Shanghai Jiao Tong University (上海交通大學) in 2001 with a bachelor's degree in material science and engineering, and obtained a master's degree in the same major in 2004. Mr. Tang received a master's degree in Executive Master of business administration at China Europe International Business School (中歐國際工商學院) in September 2016.

YE Ming (葉明), aged 42, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for managing the internal operation of our Group. Mr. Ye is also currently a director of several of our subsidiaries. From January 2009 to December 2011, Mr. Ye simultaneously held the offices of the assistant to chief executive officer of Yongda Holding and the deputy general manager of Yongda CLS. Mr. Ye held a number of managerial positions at Yongda CLS between 2003 and 2008, including the director of the business development department and assistant to the general manager. In 2002, Mr. Ye held the office of assistant to the general manager of Shanghai Yongda Automobile Rental Company (永達汽車租賃有限公司). Mr. Ye received a bachelor's degree in law from Shanghai University (上海大學) in 2001 and a master's degree of EMBA from Fudan University in June 2018.

DONG Ying (董穎), aged 50, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. Mr. Dong joined our Group in November 2011 and has been responsible for our financial management. Mr. Dong has 25 years of experience in corporate finance, accounting, auditing, risk management and internal control. Mr. Dong was the deputy head of financial control center of Yongda Holding between November 2011 and December 2011. Prior to joining us, Mr. Dong was the financial controller of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司) (SEHK stock code: 1886) from 2006 to 2011. Mr. Dong worked at PricewaterhouseCoopers Zhong Tian Limited Company CPAs (普華永道中天會計師事務所有限公司) from 2003 to 2006 as a senior manager in its risk management and internal control service department and from 1994 to 2003 as a senior manager in its audit department. He is a member of the Chinese Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Dong obtained a bachelor's degree in fine chemical engineering and a secondary diploma in international corporate management from East China University of Science and Technology (華東理工大學) in July 1993.

TANG Hua (唐華), aged 47, was our Vice-president from March 2015 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for the work of public affair center and the operation and management of media business department of our Group. Mr. Tang is also the director of several of our subsidiaries. After joining us in 2002, Mr. Tang held various positions in our Group, such as the press spokesman, the director of the public affairs center, the secretary of the Youth League Committee of our Group. Mr. Tang is also the president of Shanghai Automobile Sales Trade Association (上海汽車銷售行業協會) and the vice president of the automobile chamber of the National Association of Industry and Commerce (全國工商聯汽車商會). Prior to joining our Group, Mr. Tang worked in Saic Motor Corporation Limited (上海汽車集團股份有限公司) and has 27 years of experience in the automobile industry. Mr. Tang obtained double bachelor's degree in economic management from Air Force Political Academy (空軍政治學院) and in administrative management from Fudan University (復旦大學) in 2001, and later obtained a master's degree in public administration from Fudan University (復旦大學) in 2005.

WEI Dong (衛東), aged 50, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for the operation and management of the pre-owned vehicle business. Mr. Wei is also currently a director of several of our subsidiaries. Mr. Wei has more than 19 years of experience in sales management. From January 2008 to December 2011, Mr. Wei was the deputy general manager of Yongda CLS. From November 2004 to December 2008, Mr. Wei was the general manager of Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司). From April 2002 to October 2004, he was the deputy general manager of Shanghai Number One Yongda Automobile Trading Co., Ltd. (上海一百永達汽車貿易有限公司). Between April 2000 and March 2002, he was the deputy general manager of the Songjiang store of the Shanghai Number One Department Store Co., Ltd. (上海第一百貨松江店有限公司). From October 1989 to July 1998, Mr. Wei was a salesman, deputy secretary and secretary of the Youth League Committee at the Shanghai Number One Department Store Co., Ltd. (上海市第一百貨商店股份有限公司). Mr. Wei obtained an adult higher education bachelor's diploma in business administration from Shanghai Second Polytechnic University (上海市第二工業大學) in 2002.

ZHANG Zhenyu (張震宇), aged 42, has been appointed as our Vice-president since June 2018. He is responsible for the operation and management of the new energy automobile business. Mr. Zhang was the primary responsible person of Jiangsu Yangzhou Chemical Industrial Park from March 2015 to October 2017, Jiangsu Yangzhou Automobile Industrial Park from November 2011 to February 2015 and Jiangsu Yangzhou Food Industrial Park from October 2010 to October 2011 respectively. He was the chairperson of Youth Association of Yangzhou and the president of Yangzhou Youth Entrepreneurs Association from July 2007 to September 2010. Prior to that, Mr. Zhang worked in governmental human resources department, other grassroots management departments for many years and was responsible for governmental human resources management and introduction of domestic and foreign enterprises and support of the development of enterprises. Mr. Zhang obtained a diploma and a bachelor's degree in Science in Ecology from Nanjing University (南京大學) in July 1997, and a diploma of minor in business secretarial studies. He obtained a master's degree in Public Administration from the University of Maryland, College Park (馬里蘭大學學院市分校) in December 2010.

Directors and Senior Management

ZHANG Hong (張虹), aged 36, was re-designed as our Vice-president on March 25, 2020 and re-appointed as our joint company secretary on March 20, 2018. Ms. Zhang has been serving as the director of the legal department of the Group from January 2011. Ms. Zhang joined us in July 2006. She has since held a number of positions in the Group, such as the assistant director, the deputy director, and the executive director of the legal department of the Group. From January 2008 to February 2016, Ms. Zhang served different positions in the Group including our assistant officer and the deputy officer of the general office of the Group, and the officer of the administrative office and the office of the Board. From September 12, 2016 to March 25, 2020, Ms. Zhang served as the assistant to our President of the Group, and from June 30, 2015 to February 29, 2016, Ms. Zhang served as our joint company secretary. Ms. Zhang has also served as the assistant general manager of Yongda Automobile Group. Ms. Zhang has nearly 14 years of experience in automobile sales and service industry. She has been working in the legal department of the Group, mainly responsible for legal matters and risks management and control. With extensive working experience, Ms. Zhang is familiar with the PRC laws, and the operation and procedure of legal matters of the Company. Having participated, as a core team member, in the whole process of the preparation for the listing of the Group in Hong Kong, Ms. Zhang has gained a good understanding of the Listing Rules and regulatory requirements in Hong Kong. In particular, she has been engaged in the preparation of the interim reports and annual reports of the Company, and the organization of and preparation for the board meetings, board committee meetings and shareholders' meetings, since she took office as the officer of the office of the Board in January 2012. Ms. Zhang graduated from the department of economic laws of East China University of Political Science and Law (華東政法大學) with a bachelor's degree in Laws in June 2006.

TAO Wei (陶衛), aged 40, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting the management of Baozen Business Division. Mr. Tao was promoted from front-line sales consultant to sales manager, and was the manager of the BMW, Audi, Jaguar Land Rover and other 4S brand stores since joining the Group in 2001, and accumulated rich work experience. Mr. Tao worked as the general manager of Shanghai Baozen Store of Yongda Automobile Group and Shanghai Baozen Shenjiang Automobile Sales and Service Co., Ltd. (上海寶誠申江汽車銷售服務有限公司) from October 2017, the assistant to president of Yongda Automobile Group from March 2014 to October 2017 and the general manager of Shanghai Yongda Aocheng Automobile Sales and Service Co., Ltd. (上海永達奧誠汽車銷售服務有限公司) of Yongda Automobile Group from May 2012 to March 2014. Mr. Tao joined us in November 2001 and he has held a number of managerial positions in the Group, such as sales manager and general manager of the Taiyuan Baozen Store, sales manager and deputy sales manager of the Chinese brand and Audi brand and sales consultant of the Shanghai Volkswagen Brand. Mr. Tao graduated from Shanghai Jiaotong University (上海交通大學) with a major in automotive construction in 2001 and he is currently pursuing a degree of Master of Business Administration at Fudan University (復旦大學).

SONG Jiamin (宋佳敏), aged 40, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting in management in the work relating to Baozen Business Division. Mr. Song currently serves as the general manager of Shanghai Baozen Yuexin Automobile Sales and Service Co., Ltd. (上海寶誠悅鑫汽車銷售服務有限公司) and the director of the northern area of Baozen Business Division since 2018. Mr. Song joined us in 2003 and has over 16 years of working experience in the automotive industry. He was appointed as the general manager of Beijing Baozen Automotive Sales & Service Co., Ltd. (北京寶誠汽車銷售服務有限公司) in August 2018, the general manager of Wuxi Baozen Automobile Sales and Service Co., Ltd. (無錫寶誠汽車銷售服務有限公司) in August 2015 and the general manager of Nantong Baozen Automobile Sales and Service Co., Ltd. (南通寶誠汽車銷售服務有限公司) in June 2013. Mr. Song served as the marketing chief officer and assistant general manager of Shanghai Baozen Zhonghuan Automobile Sales and Service Co., Ltd. (上海寶誠中環汽車銷售服務有限公司) from October 2007 to June 2013, and the assistant director of the marketing center of Yongda Automobile Group from June 2003 to October 2007. Mr. Song graduated from Shanghai Tongji University (上海同濟大學) with a major in mechanical manufacturing and automation in 2003. He is currently pursuing a degree of Master of Business Administration at China Europe International Business School (中歐國際工商學院).

Report of Directors

PRINCIPAL ACTIVITIES

We are a leading passenger vehicle retailer and comprehensive service provider in China focusing on luxury and ultra-luxury brands. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of luxury and ultra-luxury automobile brands including BMW/MINI, Porsche, Audi, Jaguar/Land Rover, Mercedes-Benz, Lexus, Bentley, Aston Martin, Volvo, Cadillac, Lincoln, Infiniti and mid- to high-end automobile brands, mainly including Buick, Volkswagen and Chevrolet.

The principal activities of the Group are as follows:

(i) new passenger vehicle sales;

(ii) repair and maintenance services;

(iii) automobile extended products and services, including sales of spare parts and accessories, automobile decoration products, automobile care services, agency services of vehicle title registration and vehicle inspection service;

(iv) agency services for automobile finance and insurance products;

(v) pre-owned vehicle business;

(vi) automobile rental services; and

(vii) finance leasing and small loan services.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the Consolidated Financial Statements on pages 74 to 82 of this annual report.

FINAL DIVIDEND

In view of the outbreak of the novel coronavirus and its global spread in 2019, in the interests of the Company and shareholders as a whole, the Board recommends retaining funds as operating reserves to capture business development opportunities such as mergers and acquisitions and focus on continuing to develop the vehicle sales service business. Therefore, the Board does not recommend the payment of final dividend at this stage. The Board will further consider whether to pay dividends before publishing the 2020 interim results.

SHARE CAPITAL

Details of the issued shares of the Company during the year are set out in note 32 to the Consolidated Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 78 to page 79 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2019, the Company has distributable reserves of RMB1,662.8 million in total available for distribution.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 200 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year are set out in note 34 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the Consolidated Financial Statements.

CONTINGENT LIABILITIES

As at December 31, 2019, our Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our directors, the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

BUSINESS REVIEW

Overview and performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management's Discussion and Analysis section on pages 8 to 28 of this annual report.

Environmental Policies and Performance

The Group is committed to environmental protection, energy conservation and emissions reduction, and the rational use of resources and energy. Centering on the targets of energy saving, consumption reduction, pollution reduction and efficiency enhancement, the Company has actively participated in and promoted the development of new energy vehicles. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilization of resources have been consistently implemented to daily operating activities of the Group. In addition, under the pressure of resources scarcity and environmental protection, the Group has been paying great attention to develop the sales of new energy vehicles and continuing to launch more and more developed new energy car models. The Group proactively planned its new energy vehicles sales and services outlets, and made sustainable progress in new energy vehicle business, which clearly illustrates the Group's sustainable development strategy and determination for environmental protection.

The Group appreciates the importance of understanding the Group's environmental impact and thrives to take action to reduce its footprint and raise environmental awareness. The Group has been encouraging the recycling of used parts of repair and maintenance tools and oil and liquid products, and strengthening the utilization of waste materials to raise the environmental awareness of our employees. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in.

Compliance with Relevant Laws and Regulations

On intellectual property protection — the Group's passenger vehicle sales business is subject to the Measures for Implementation of the Administration of Branded Automobiles Sales (the "Measures"). The Group, an "automobile dealer" as classified under the Measures, has taken particular care to comply with the supplier's requirements relating to the intellectual property rights associated with its brand, such as trademarks, labels and store, and has also adhered to the relevant regulations of local municipal and commercial development authorities.

On product quality and customer protection — the Group's passenger vehicle sales business and automobile rental business is subject to the Product Quality Law of People's Republic of China and the Customer Protection Law of People's Republic of China. The Group adopted measures to keep products for sale and rental in good quality, and monitored the labeling of products, making sure not to forge or falsely use another manufacturer's authentication marks. In relation to customer protection, the Group has been observing the provisions of the Customer Protection Law and other relevant laws and regulations regarding personal safety and protection of property, providing consumers with true information in relation to goods and services, ensuring that the actual quality of goods and services is consistent with the relevant advertisements, product descriptions or samples.

On labor protection — the Group has been committed in complying with the requirements of the Labor Law of People's Republic of China, the Law of People's Republic of China on Employment Contracts and the Social Insurance Law of People's Republic of China in order to safeguard all employee rights and interests. All employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC, and are entitled to annual pension. The Group has made annual contributions to the state-managed retirement benefit as required under the relevant law. The Group has also made contributions to a defined contribution mandatory provident fund for all employees in Hong Kong. Further, the Group has been committed to complying with relevant laws and regulations on work and occupational safety of employees of the Group. The Company believes that all of our facilities and operations are in material compliance with the relevant labor and safety laws and regulations.

On taxation — the Group is subject to various taxation. Details of such taxes and compliance of the Group with such applicable tax laws are set out in notes 8 and 33 to Consolidated Financial Statements in this annual report.

On corporate compliance — the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the "SFO") and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code").

Key Relationships with Stakeholders

With the goal of developing into a preeminent international enterprise, a trustworthy public company and a green enterprise, the Company actively fulfills its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, building a harmonious enterprise and serving the harmonious society to undertake its responsibilities for employees, customers, suppliers and the Shareholders.

With respect to human resources management, the Group has been devoting continuous efforts in three aspects, namely, talent introduction, talent training and performance appraisal. A description of the Group's policies on human resources management is set out in the Management Discussion and Analysis section on page 20 of this annual report.

With respect to customer retention management, the Group has been committed in providing personalized, comprehensive, innovative and convenient services with high quality to our customers. Adhering to the concept of enhancing customer experience, the Group has provided services and e-commerce platforms to improve customers' satisfaction and attract new customers to visit the Group's outlets. Details of which are set out in the Management Discussion and Analysis section on page 20 of this annual report.

The Group has been successful in establishing a strong cooperation relationship with automobile manufacturers and has been entering into stable agreements including dealership and authorization agreements with them. In order to maintain a strong cooperation relationship, the Group will continue to focus on promoting win-win philosophy and encouraging experience, resources and knowledge sharing with the manufacturers. The Group also aims to further strengthen their communications with the manufacturers by engaging them through business negotiations, business meetings, visits, gatherings, relationship-building events and project cooperation.

The Group recognizes the importance to protect the interests of Shareholders and the importance of having an effective communication with them. The Group believes communication with the Shareholders is a two-way process and has thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback it receives from the Shareholders. This has been done through annual general meetings, extraordinary general meetings, corporate communications, interim and annual reports and results announcements.

Key Risks and Uncertainties

Risk of fluctuations in financial conditions and operating results of automobile manufacturers

The Group, being a passenger vehicle retail services provider operating 4S dealerships and providing after-sale, rental and comprehensive services, relies on and is subject to significant influence from automobile manufacturers. If there are fluctuations in the financial conditions and operating results of the automobile manufacturers, the manufacturers may not, among other things, enter into or renew dealership and authorization agreements on terms that are reasonable or acceptable to the Group. Or if there are labor disputes involving automobile manufacturers, it could result in an interruption in the delivery of new passenger vehicles to the outlets, shortage of new passenger vehicles and may significantly increase the labor costs of automobile manufacturers as a result of negotiations to resolve the labor disputes. Or if, the Group open up more outlets to the extent possible in response to the demand from the automobile manufacturers to increase sales outlets, this could result in a certain degree of risk in terms of investment returns. All of these factors could in turn impose a downward pressure on the Group's margins which could reduce and affect the Group's revenue and profitability as well as its financial conditions and operating results. In order to manage the Group's exposure to the aforementioned risk, the Group will continue to maintain and further develop the diversity of its brand portfolio by strengthening the communication between the Group and automobile manufacturers.

Risk of damage to brand recognition

Although the Group has successfully established the Group's "永達 (Yongda)" brand and registered it with the Trademark Office of State Administration for Industry and Commerce in 2005, the Group may have difficulties in maintaining brand recognition if there are, among other things, a deterioration in service quality and dealership management, a decline in premium in value attributed to the Group's business compared to that of the competitors, and unauthorized use and infringement of the Group's brand, trademarks and other related intellectual property rights. In such event, the Group may not be able to effectively compete for customers and new authorizations from automobile manufacturers to open outlets and the Group's business, financial condition, results of operations and growth aspects may be materially and adversely affected. In order to maintain and ensure there is adequate protection for the Group's brand, trademarks and other related intellectual property rights, the Group will continue to develop goodwill for the Group's name (including its brand name, logos etc.), monitor for infringers, develop and establish policies and strategies for all the Group's intellectual property including all trademarks and brand names.

Risk of amendments to government policies, vehicle consumption policies, fiscal policies and other legal risks

The PRC Government's policies on passenger vehicle purchases and ownership and the PRC Government's measures on automobile sales implemented from time to time may materially affect the Group's business because of their influence on the automobile industry and consumer behaviors. Changes in the fiscal regimes in the PRC, such as the introduction of new taxes and increases in tax rates, may affect the profitability of the Company. The PRC Government's speeding up the promotion and application of new energy vehicles may also bring an impact on the automobile industry. In addition, as consumers are increasingly aware of product safety relating to product quality and the quality of vehicle repair and maintenance, it is possible that the Group may face product quality related legal disputes.

On the other hand, passenger vehicle sales may be affected by quotas or other measures imposed by local governments to control the number of passengers vehicles in the cities where the Group's network are located. These policies may lead to changes in local economic conditions, the competitive environment and ability of potential customers to purchase passenger vehicles and may have an impact on the Group's business, financial condition, results of operations and growth prospect.

In order to minimize the impact of the aforementioned risks, the Group has started launching the sale of new energy vehicles and aims to strengthen its communication with the local municipals and regulators in relation to possible amendments to relevant policies.

Market Risks
The Group is exposed to various types of market risks, including currency risk, interest rate risk, credit risk and liquidity risk. Details of such risks are set out in note 44 to the Consolidated Financial Statements in this annual report.

PROSPECTS

A description of the future development in the Company's future business is provided in the Chairman's Statement and the Management Discussion and Analysis on pages 6 and 28 respectively of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Mr. Xu Yue, an executive director of the Company, was appointed as a vice-chairman of the Company on March 25, 2020.

Save as disclosed in this annual report, no events after the reporting period need to be brought to the attention of the shareholders of the Company.

DIRECTORS

The directors of the Company (the "Directors") during the year and up to the date of this annual report are:

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

In accordance with article 104(1) of the Articles of Association, one-third of the Directors will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 99(3) of the Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the existing board of Directors will hold office until the next following annual general meeting of the Company and be eligible for re-election.

Details of the Directors to be re-elected at the annual general meeting to be held on June 18, 2020 ("AGM") are set out in the circular to Shareholders dated April 28, 2020.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 29 to 36 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for a term of three years commencing from their respective effective date of appointment, which may be terminated by not less than one month's notice in writing served by either the executive Director or the Company. Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment. The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. MU Binrui, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to December 31, 2019 and remain so as of the date of this annual report.

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

As at the date of this annual report, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and 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 entered 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, were as follows:

(A) Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholdings (%)
Mr. CHEUNG Tak On [(1)]	Founder of a discretionary trust	395,409,500 (long position)	21.458
	Interest of controlled corporation	196,080,000 (long position)	10.641
	Beneficial owner	9,303,000 (long position)	0.505
Mr. CAI Yingjie [(2)]	Interest of controlled corporation	89,288,000 (long position)	4.846
	Beneficial owner	674,500 (long position)	0.037
Mr. WANG Zhigao [(3)]	Interest of controlled corporation	37,660,000 (long position)	2.044
	Beneficial owner	910,500 (long position)	0.049
Mr. XU Yue	Beneficial owner	2,770,000 (long position)	0.150
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 395,409,500 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 196,080,000 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.

(B) Long positions in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Approximate 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
Ms. ZHU Anna Dezhen	Beneficial owner	200,000	0.011
Mr. LYU Wei	Beneficial owner	200,000	0.011

Save as disclosed above, as at the date of this annual 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 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, 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 annual report, 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 as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Substantial Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholdings (%)
Palace Wonder (1)	Beneficial owner	395,409,500 (long position)	21.458
Regency Valley (1)	Interest of controlled corporation	395,409,500 (long position)	21.458
HSBC International Trustee Limited (1)	Trustee	395,409,500 (long position)	21.458
Asset Link (2)	Beneficial owner	196,080,000 (long position)	10.641

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 395,409,500 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 196,080,000 shares held by Asset Link.

Save as disclosed above, as at the date of this annual 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 as recorded in the register required to be kept by the Company pursuant to Section 336 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, at no time during the year and up to the date of this annual 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 annual report, the aggregated principal amount of the first tranche corporate bonds of 2016 has been fully repaid during the year ended December 31, 2019. For further details, please refer to the announcements of the Company dated October 31, 2016 and November 3, 2016 and note 36 to the 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 annual report, the third tranche super short-term commercial papers of 2018 have been fully repaid during the year ended December 31, 2019. For further details, please refer to the announcements of the Company dated March 9, 2017 and June 28, 2018 and note 35 to the 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 annual report, the fourth tranche super short-term commercial papers of 2018 have been fully repaid during the year ended December 31, 2019. For further details, please refer to the announcements of the Company dated March 9, 2017 and November 30, 2018 and note 35 to the 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 annual report, the fifth tranche super short-term commercial papers of 2018 have been fully repaid during the year ended December 31, 2019. For further details, please refer to the announcements of the Company dated March 9, 2017 and December 17, 2018 and note 35 to the Consolidated Financial Statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Our History and Reorganisation — Onshore Reorganisation" in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the Directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2019.

We have received an annual written confirmation from our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, in respect of the compliance with the provisions of the deed of non-competition entered into between the Company and our controlling shareholders (the "Deed of Non-competition").

Our independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the financial year ended December 31, 2019 based on the information and confirmation provided by or obtained from the controlling shareholders, and were satisfied that our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 47 to the Consolidated Financial Statements, the following transactions constitute continuing connected transactions for the Company under Rule 14A.76 of the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the following continuing connected transactions. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

On May 11, 2012, we entered into a properties leasing agreement with Shanghai Yongda Holding (Group) Limited ("Yongda Holding") and certain of its subsidiaries (the "Properties Leasing Agreement") pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain owned properties and properties rented from independent third parties to us. Both Yongda Holding and Shanghai Yongda Group Company Limited ("Yongda CLS") are our connected persons and therefore the transactions under the Properties Leasing Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. The term of lease of the properties under the Properties Leasing Agreement expired on December 31, 2014 (or such earlier date when the leases entered into between Yongda Holding or its subsidiaries and the independent third parties expire or terminate, where applicable). The Properties Leasing Agreement is renewable for a term of three years, subject to compliance with all applicable requirements under the PRC laws and the Listing Rules (and the term of the leases entered into between Yongda Holding or its subsidiaries and the independent third parties, where applicable).

On December 23, 2014, we entered into a new properties leasing agreement with Yongda Holding and certain of its subsidiaries (including Yongda CLS) (the "New Properties Leasing Agreement"), for renewal of the Properties Leasing Agreement with some modifications to the list of leased properties as set out in the Properties Leasing Agreement for a term of three years commencing from January 1, 2015 to December 31, 2017.

On December 29, 2017, we, as the lessee, entered into a new properties leasing agreement with Yongda Holding, as the lessor (the "2018 New Properties Leasing Agreement") whereby Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years commencing from January 1, 2018 and ending on December 31, 2020. As Mr. CHEUNG Tak On, one of the controlling Shareholders and one of the Directors, is indirectly interested in more than 30% of the voting power at the general meeting of Yongda Holding, Yongda Holding is a connected person of the Company and the transactions contemplated under the 2018 New Properties Leasing Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The aggregate sum of rental payable by the Group under the 2018 New Properties Leasing Agreement for each of the three years ending December 31, 2018, 2019 and 2020 are RMB34,600,000, RMB34,600,000 and RMB34,600,000, respectively. The rental payable was determined with reference to the historical rental amounts and the prevailing market rates of properties with similar locations and sizes. The annual caps under the 2018 New Properties Leasing Agreement for each of the three years ending 31 December 2018, 2019 and 2020 are RMB38,060,000, RMB38,060,000 and RMB38,060,000, respectively. As one or more of the applicable percentage ratios for the annual caps under the 2018 New Properties Leasing Agreement for the three years ending December 31, 2020 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2018 New Properties Leasing Agreement are exempted from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties are for the purpose of the Group's operation of passenger vehicles sales and services and proprietary finance business which are used for its 4S dealerships, city showrooms, repair and maintenance service centres and proprietary finance outlets. For details of the 2018 New Properties Leasing Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated December 29, 2017 and note 47 to the Consolidated Financial Statements on page 186.

The auditor of the Group has reviewed the continuing connected transactions referred to above and confirmed to the Board that the continuing connected transactions: (i) have received the approval of the Board; (ii) were in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were entered into in accordance with the relevant agreement governing the transaction; and (iv) have not exceeded the caps.

The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement (including the pricing principle and guidelines set out therein) governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for disclosed above, during the year, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in "Connected and Continuing Connected Transactions" section above, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2019 or at the end of the year ended December 31, 2019.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the "Connected and Continuing Connected Transactions" section above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year and up to the date of this annual report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify and hold harmless out of the assets of the Company, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any Director (including alternate Directors or person serves at the request of the Company as a Director) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Director. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended December 31, 2019.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2019, we had 13,474 employees, including employees in different regions of the Group. The remuneration of our employees includes salaries and allowances. We 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 delegated by the Shareholders at general meeting to be fixed by the Board. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of our Group.

Details of the Directors' remuneration during the year are set out in note 10 to the Consolidated Financial Statements.

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 to 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 approved the Share Option Scheme, and shall expire on October 13, 2023, after which period no further share option shall be granted. Therefore, as at December 31, 2019, the remaining life of the Share Option Scheme was approximately three years and ten months.

Under the Share Option Scheme, 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 issued shares 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. As at the date of this annual report, the number of shares of the Company available for issue under the Share Option Scheme amounts to 121,239,700 Shares, representing 6.58% of the total issued shares of the Company.

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 in 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.

The vesting period is determined at the Company's discretion and is set out in the offer letters to the grantees. 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 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 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 38 to the Consolidated Financial Statements.

Details of movements in the options granted under the Share Option Scheme during the year ended December 31, 2019 are as follows:

Category and Name of grantee	Number of Share Options							Date of grant of share options	Exercise period of share options	Exercise price 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	
	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 December 31, 2019			*HK$ per share*	*HK$ per share*	Immediately before the exercise dates *HK$ per share*	At dates 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													
ZHU Anna Dezhen	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
LYU Wei	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	–	–	1,905,000	50,000	–	9,094,500	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	6.94	7.08
	10,300,000	–	–	–	1,359,000	–	8,941,000	June 19, 2017	June 19, 2017 to June 19, 2022	8.140	8.020	–	–
Other grantees/participants in aggregate*	400,000	–	–	–	200,000	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–

* As at December 31, 2019, Mr. WANG Zhiqiang, who resigned as an independent non-executive Director on May 8, 2015, was interested in 200,000 share options granted to him by the Company, representing approximately 0.11% of the total issued share capital of the Company. His share options were exercised in January 2020.

Mr. CHEN Xianglin's, who resigned as an independent non-executive Director, 200,000 share options granted to him by the Company lapsed in 2019, representing approximately 0.11% of the total issued share capital of the Company.

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 beneficiaries, 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. Therefore, as at December 31, 2019, the remaining life of the Employee Pre-IPO Incentive Scheme was approximately 72 years and six months. On termination of the Employee Pre-IPO Incentive Scheme, HSBC HK Trustee will transfer the Scheme Shares to 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 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 share awards 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 members 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 year, 2,667,000 restricted shares were awarded to eligible persons in accordance with the terms of the Amended Scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2019, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 28.5% and 76.0%. The percentage of the total sales attributable to the Group's five largest customers was below 30% of the total sales in the Group.

None of our Directors or any of their close associates or any Shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest suppliers or customers.

CHARITABLE DONATIONS

The donations by the Group for the year ended December 31, 2019 amounted to RMB8,000,000.

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

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules and has complied with the code provisions in the CG Code during the reporting period.

AUDITOR

The Consolidated Financial Statements of the Group for the year ended December 31, 2019 have been audited by Deloitte Touche Tohmatsu, certified public accountants.

Deloitte Touche Tohmatsu shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

RECORD DATE OF AGM

Shareholders whose names appear on the register of members of the Company at the close of business on June 12, 2020 (Friday) (the "Record Date") will be entitled to attend the AGM to be held on June 18, 2020 (Thursday). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

By order of the Board
Cheung Tak On
Chairman of the Board

PRC, April 2, 2020

Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended December 31, 2019.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the CG Code as contained in Appendix 14 to the Listing Rules.

The CG Code sets out the principles of good corporate governance and two levels of corporate governance practices, as follows:

a) code provisions, which listed issuers are expected to comply with or to give considered reasons for deviation.

b) recommended best practices for guidance only, which listed issuers are encouraged to comply with.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices and the Company was in compliance with the code provisions of the CG Code during the year ended December 31, 2019.

A. THE BOARD

1. Responsibilities

The Board is responsible for the leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs. The Board has established several Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the websites of the Hong Kong Stock Exchange and the Company.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its shareholders at all times.

2. Delegation of Management Function

The Board is responsible for making all major decisions of the Company including: the approval and monitoring of all major policies of the Group and overall strategies, risk management and internal control systems, notifiable and connected transactions, nomination of directors and company secretary, and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions are periodically reviewed. Approval has to be obtained from the Board prior to any significant transaction is entered into.

3. **Board Composition**

During the reporting year and up to the date of this report, the Board of the Company comprises the following 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 *(Vice-chairman and President)* Ms. CHEN Yi *(Vice-chairman)*
Non-executive Director	Mr. WANG Liqun
Independent Non-executive Directors	Ms. ZHU Anna Dezhen Mr. LYU Wei Mr. MU Binrui *(appointed on January 1, 2019)*

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed in our prospectus dated June 29, 2012 and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules during the reporting year.

4. **Appointment and Re-election of Directors**

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective effective date of appointment unless terminated by not less than one month's notice in writing served by either the executive Directors or the Company. Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself or herself for re-election by Shareholders at the next following annual general meeting after appointment.

5. Induction and Continuing Development for Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment, so as to ensure that he understands the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

The Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development materials for the Directors were arranged by the Company and its professional advisers.

The training records of the Directors for the year ended December 31, 2019 are summarized as follows:

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Directors		
Mr. CHEUNG Tak On	√	√
Mr. CAI Yingjie	√	√
Mr. WANG Zhigao	√	√
Mr. XU Yue	√	√
Ms. CHEN Yi	√	√
Non-executive Directors		
Mr. WANG Liqun	√	√
Independent non-executive Directors		
Ms. ZHU Anna Dezhen	√	√
Mr. LYU Wei	√	√
Mr. MU Binrui	√	√

6. **Board Meetings and General Meetings**

Number of Meetings and Directors' Attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board met five times during the year ended December 31, 2019 for discussing and approving, among others, the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended December 31, 2018 and unaudited interim results for the six months ended June 30, 2019 and issues related to the acquisition of the entire issued shares of Inchcape Asia Pacific Limited.

The attendance records of each Director at the Board meetings and general meeting are set out below:

Name of Director	Attendance/Number of Board Meetings	Attendance/Number of General Meeting(s)*
Mr. CHEUNG Tak On	5/5	1/1
Mr. CAI Yingjie	5/5	1/1
Mr. WANG Zhigao	5/5	1/1
Mr. XU Yue	5/5	1/1
Ms. CHEN Yi	3/5	1/1
Mr. WANG Liqun	5/5	1/1
Ms. ZHU Anna Dezhen	5/5	1/1
Mr. LYU Wei	5/5	1/1
Mr. MU Binrui	5/5	1/1

* One annual general meeting was held during the year ended December 31, 2019 on May 31, 2019.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice will generally be given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

B. CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Mr. CHEUNG Tak On is the Chairman of the Board, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of our Group and he participated in our Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole. He holds meetings with the independent non-executive Directors without the executive directors present at least annually.

Mr. CAI Yingjie is our Vice-chairman and Chief Executive Officer and is responsible for overseeing our operations and investment, managing our relationship with automobile manufacturers and exploring new business opportunities for our Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, Mr. CHEUNG Tak On as the Chairman coordinates with the management to provide adequate, complete and reliable information to all Directors for consideration and review.

C. BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Audit and Compliance Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All of these three committees are established with defined written terms of reference which are available at the websites of the Hong Kong Stock Exchange and the Company.

The majority of the members of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1. Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with code provision B.1 of the CG Code. The Remuneration Committee currently consists of two independent non-executive Directors, being Ms. ZHU Anna Dezhen and Mr. LYU Wei, and one executive Director, being Mr. WANG Zhigao. The chairperson of the Remuneration Committee is Ms. ZHU Anna Dezhen.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining or making recommendation to the Board on the terms of the remuneration package of our Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The Remuneration Committee held two meetings during the year ended December 31, 2019 to review, among others, the remuneration policy and structure of the Company, and consider and make recommendation to the Board on the remuneration for non-executive directors and independent non-executive directors as well as the proposal on remuneration and special incentive plan of senior management.

The attendance records of the Remuneration Committee meetings are set out below:

Name of Director	Attendance/Number of Meeting(s)
Ms. ZHU Anna Dezhen	2/2
Mr. WANG Zhigao	2/2
Mr. LYU Wei	2/2

Details of the Directors' remuneration are set out in note 10 to the Consolidated Financial Statements. In addition, the remuneration of each member of our senior management (except for members who are also Directors) for the year ended December 31, 2019 is below RMB1,000,000.

2. Audit and Compliance Committee

We have established the Audit and Compliance Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules as well as code provisions C.3 and D.3 of the CG Code. The Audit and Compliance Committee currently consists of three independent non-executive Directors, being Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. MU Binrui. The chairperson of the Audit and Compliance Committee is Ms. ZHU Anna Dezhen, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit and Compliance Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iv) developing, reviewing and monitoring our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; (vi) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors; (vii) overseeing and monitoring the risk management and internal control systems of the Company on an ongoing basis and review with the Company's external auditor and senior management at least annually; (viii) reviewing the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems; and (ix) reviewing the Company's internal audit function to ensure co-ordination within the Group and between the Company's internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held two meetings during the year ended December 31, 2019 to review, among others, the unaudited interim results and report for the six months ended June 30, 2019, the financial reporting and the compliance matters, compliance with the corporate governance policy and practice, the audited annual results and financial report for the year ended December 31, 2018, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditors, the service fees due to the external auditor as well as the re-appointment of external auditors.

The attendance records of the Audit and Compliance Committee meetings are set out below:

Name of Director	Attendance/Number of Meeting(s)
Ms. ZHU Anna Dezhen	2/2
Mr. LYU Wei	2/2
Mr. MU Binrui	2/2

The Company's annual results for the year ended December 31, 2019 have been reviewed by the Audit and Compliance Committee on March 25, 2020.

3. **Nomination Committee**

We have established the Nomination Committee with written terms of reference in compliance with code provision A.5 of the CG Code. The Nomination Committee currently consists of one executive Director, being Mr. CHEUNG Tak On, and two independent non-executive Directors, being Mr. MU Binrui and Mr. LYU Wei. The chairperson of the Nomination Committee is Mr. CHEUNG Tak On. The Nomination Committee reviews the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes (if any) to it.

The primary duties of the Nomination Committee include, but are not limited to (i) with reference to the Nomination Policy, identifying, selecting and recommending to our Board suitable candidates to serve as Directors and presidents of our Company, and formulating plans for succession for both executive Directors and non-executive Directors; (ii) reviewing the structure, size, composition and diversity of the Board as well as the Board Diversity Policy; (iii) overseeing the process for evaluating the performance of the Board; (iv) developing, recommending to the Board and monitoring nomination guidelines for our Company; and (v) assessing the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the year ended December 31, 2019 to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of our Company, to assess the independence of the independent non-executive Directors, to consider the credentials of the independent non-executive Director candidate, to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2019 annual general meeting of the Company.

The attendance records of the Nomination Committee meetings are set out below:

Name of Director	Attendance/Number of Meeting(s)
Mr. CHEUNG Tak On	1/1
Mr. LYU Wei	1/1
Mr. MU Binrui	1/1

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process. When nominating a particular candidate for Director, the Nomination Committee will consider amongst others (1) integrity and character; (2) factors including gender, age, cultural, educational background, ethnicity, skills, knowledge, experience, etc; (3) board diversity that a candidate can bring to the Board; (4) commitment in respect of available time (factors to be taken into account include public directorships already held by the candidates); (5) independence criteria as required under the Listing Rules for candidates for independent non-executive Directors; and (6) the experience or knowledge of the candidate that are relevant to the Company’s business and corporate strategy and in international operations.

In short, proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director. The Nomination Committee will review such information of the potential candidates and may either conduct interviews with the candidates; or request candidates to provide additional information and documents if it considers necessary; or conduct any background check (if necessary). Meeting of a Nomination Committee will be called for the members to discuss the credentials of the proposed candidates and assess their qualifications based on the factors set out above. The Nomination Committee may also invite nominations of suitable candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

The Board has adopted the Board Diversity Policy on August 30, 2013. A summary of the Board Diversity Policy is set out below:

Purpose:	The Board Diversity Policy aims to set out the approach to achieve diversity of the Board.
Board Diversity Policy statement:	With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.
Measurable Objectives:	Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In reviewing the structure, size, composition and diversity of the Board, the Nomination Committee has taken into account the measurable objectives as set out in the Board Diversity Policy. The Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of gender, knowledge, experience and skills of the Directors. However, the Nomination Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the Board Diversity Policy in order to achieve increasing diversity at the Board level.

D. MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code set out in Appendix 10 to 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 year ended December 31, 2019.

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

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The management has provided sufficient explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 72 to 73 of this annual report.

The external auditor of the Company will be invited to attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year, the remuneration paid to the external auditor of the Company in respect of audit services for the year ended December 31, 2019 amounted to RMB6,560,000.

G. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not to eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has delegated the Audit and Compliance Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit and Compliance Committee;

- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and

- Internal auditors provide independent assurance to the Board, the Audit and Compliance Committee and the management concerning the effectiveness of risk management and internal control systems.

During the reporting period, major works performed by the management in relation to risk management and internal control included the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit and Compliance Committee regarding the status of the systems;

- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. were in place.

The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executives in charge of the internal audit function reported directly to the Audit and Compliance Committee. The internal audit reports on control effectiveness were submitted to the Audit and Compliance Committee in line with agreed audit plan approved by the Board. During the reporting period, the internal audit function carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, amongst others, examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The senior executives in charge of the internal audit function attended meetings of the Audit and Compliance Committee to explain the internal audit findings and responded to queries from members of the Audit and Compliance Committee.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor relations, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and on a "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as signing of confidentiality agreement with potential parties, pre-clearance on dealing in the Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit and Compliance Committee reviewed such arrangement regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the reporting period, the Audit and Compliance Committee reviewed the effectiveness of the risk management and internal control systems of the Company. The annual review included works such as (i) review of reports submitted by heads of operation units or departments and the management regarding the implementation of the risk management and internal control systems; (ii) periodic discussions with the management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; (iii) evaluation on the scope and quality of management's ongoing monitoring of the risk management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) made recommendations to the Board and the management on the scope and quality of the management's ongoing monitoring of the risk management and internal control systems.

On the basis of the aforesaid, during the year ended December 31, 2019, the Audit and Compliance Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal controls of the Company.

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website at www.ydauto.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. During the year ended December 31, 2019, the Company did not make any changes to its Articles of Association. An up-to-date version of the Articles of Association is also available on the websites of the Company and the Hong Kong Stock Exchange.

I. DIVIDEND DISTRIBUTION POLICY

Under the dividend distribution policy of the Company, the declaration of dividends is at the discretion of the Board subject to the applicable laws and the Articles of Association. The amount of dividends to be declared and paid are based upon, among other things, the Group's general business conditions, financial results, cash flows, capital requirements, interests of the Shareholders and any other factors which the Board may deem relevant.

Subject to the Cayman Companies Law and the Articles of Association, no dividend may be declared in excess of the amount recommended by the Board and the dividends are declared from statutory distributable reserves.

J. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors. Meanwhile, the procedures for Shareholder to (i) convene an extraordinary general meeting; (ii) direct their enquiries to the Board; and (iii) put forward proposals at Shareholders' meetings are available.

General meetings shall be convened on the written requisition of any two or more Shareholders deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting shall be reimbursed to them by the Company.

Shareholders holding not less than one-tenth of the total number of the Company's voting shares shall be entitled to propose new proposals in writing to the Company. The Company shall include in the agenda for the meeting the matters in the proposals that fall within the scope of duties of the Shareholders' meeting. The written request/statements must be signed by the Shareholders concerned and deposited at the Company's principal place of business in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office for the attention of the Company, not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company at Unit 5708, 57/F., The Center, 99 Queen's Road Central, Hong Kong.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules except where the chairperson, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In addition, the poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after the relevant shareholders' meeting.

K. JOINT COMPANY SECRETARIES

Ms. MOK Ming Wai ("Ms. Mok") has been acting as the company secretary of the Company since 2012. She is currently a director and head of the Listing Corporate Services Department of Trident Corporate Services (Asia) Limited and has over 20 years of professional and in-house experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Ms. ZHANG Hong ("Ms. Zhang") has been another company secretary of the Company since March 20, 2018. Ms. Zhang is currently our Vice-president and the director of the legal department of the Group. Ms. Mok and Ms. Zhang worked and communicated closely to discharge the functions of joint company secretaries during the year.

During the year ended December 31, 2019, each of Ms. Zhang and Ms. Mok has undertaken over 15 hours of professional training to update their skills and knowledge.

Mr. WANG Zhigao and Ms. Mok have been engaged by the Company as authorized representatives.

L. GOING CONCERN

Our Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to Shareholders through the optimization of the debt and equity balance. There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the 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 74 to 199, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising from acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the complexity and significant judgements management involved in the assessment process. Determining whether goodwill is impaired required management's estimation of the value in use of the cash generating units ("CGUs") to which goodwill have been allocated. As disclosed in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgments. As disclosed in Note 18 to the consolidated financial statements, as at December 31, 2019, the carrying amount of goodwill was approximately RMB1,236,585,000. No impairment loss has been recognized against goodwill for the year then ended. Details of such judgements and estimations are disclosed in Note 18 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Obtaining an understanding of the management control processes over impairment assessment of goodwill; • Assessing the methodology used by the managements to determine the recoverable amounts which are the value in use of CGUs to which goodwill has been allocated; • Obtaining the value in use calculations of the CGUs to which the goodwill have been allocated and understanding the key management assumptions adopted in these calculations through enquiries with management; • Evaluating key inputs and assumptions used by the management in estimations of value in use, including discount rates applied, growth rates, selling prices and direct costs; and • Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective CGUs as well as our knowledge of the business.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

April 2, 2020

Consolidated Statement of Profit or Loss

For the year ended December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Goods and services	5A	**61,700,114**	54,399,518
Rental		**517,955**	408,361
Interests		**489,311**	510,607
Revenue	5B	**62,707,380**	55,318,486
Cost of sales and services		**(56,843,461)**	(50,111,803)
Gross profit		**5,863,919**	5,206,683
Other income and other gains and losses	6	**1,177,263**	1,029,196
Distribution and selling expenses		**(2,732,514)**	(2,479,737)
Administrative expenses		**(1,489,818)**	(1,382,668)
Profit from operations		**2,818,850**	2,373,474
Share of profit of joint ventures	19	**8,792**	9,566
Share of profit of associates	20	**26,288**	50,813
Finance costs	7	**(778,148)**	(681,292)
Profit before tax	9	**2,075,782**	1,752,561
Income tax expense	8	**(506,728)**	(427,525)
Profit for the year		**1,569,054**	1,325,036
Profit for the year attributable to:			
Owners of the Company		**1,472,984**	1,253,099
Non-controlling interests		**96,070**	71,937
		1,569,054	1,325,036
Earnings per share – basic	13	**RMB0.80**	RMB0.68
Earnings per share – diluted	13	**RMB0.80**	RMB0.68

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**1,569,054**	1,325,036
Other comprehensive income(expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	**1,331**	(15,161)
Total comprehensive income for the year	**1,570,385**	1,309,875
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,474,315**	1,237,938
Non-controlling interests	**96,070**	71,937
	1,570,385	1,309,875

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	14	6,105,406	5,402,463
Prepaid lease payments		–	1,329,129
Right-of-use assets	15	3,032,974	–
Goodwill	16, 18	1,236,585	977,146
Other intangible assets	17	2,064,888	1,576,695
Deposits paid for acquisition of property, plant and equipment		149,156	78,832
Deposits paid for acquisition of land use rights		41,153	59,894
Deposits paid for acquisition of an associate		–	525
Equity instruments at FVTOCI	22	10,658	9,327
Financial assets at fair value through profit or loss ("FVTPL")	21	340,542	403,632
Interests in joint ventures	19	97,415	97,083
Interests in associates	20	462,167	441,070
Finance lease receivables	23	1,385,578	1,744,000
Loan receivables	24	33,356	86,175
Amount due from a related party	47	–	35,471
Deferred tax assets	33	209,507	195,858
Other assets	25	30,000	30,000
		15,199,385	12,467,300
Current assets			
Prepaid lease payments		–	42,762
Inventories	26	5,626,803	5,829,495
Finance lease receivables	23	2,193,384	1,877,661
Loan receivables	24	321,551	427,866
Trade and other receivables	25	6,847,000	6,186,355
Amounts due from related parties	47	152,134	117,995
Cash in transit	27	150,872	216,968
Time deposits	28	322,903	38,600
Restricted bank balances	28	2,450,362	1,754,453
Bank balances and cash	28	2,210,423	2,056,208
		20,275,432	18,548,363

(Continued)

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and other payables	29	**7,070,534**	5,503,881
Amounts due to related parties	47	**2,809**	4,113
Income tax liabilities		**729,718**	477,152
Borrowings	34	**10,129,408**	9,259,896
Contract liabilities	30	**1,725,445**	1,565,693
Lease liabilities	37	**174,747**	–
Super short-term commercial papers	35	**–**	1,298,665
Corporate bonds	36	**–**	1,994,422
Derivative financial liabilities	31	**12,606**	10,984
		19,845,267	20,114,806
Net current assets (liabilities)		**430,165**	(1,566,443)
Total assets less current liabilities		**15,629,550**	10,900,857
Non-current liabilities			
Borrowings	34	**2,722,575**	836,033
Lease liabilities	37	**1,658,623**	–
Other liabilities	29	**31,961**	67,304
Deferred tax liabilities	33	**659,301**	477,533
Derivative financial liabilities	31	**104,493**	–
		5,176,953	1,380,870
Net assets		**10,452,597**	9,519,987
Capital and reserves			
Share capital	32	**15,080**	15,063
Reserves		**9,866,460**	8,972,850
Equity attributable to owners of the Company		**9,881,540**	8,987,913
Non-controlling interests		**571,057**	532,074
Total equity		**10,452,597**	9,519,987

The consolidated financial statements on pages 74 to 199 were approved and authorized for issue by the Board of Directors on April 2, 2020 and are signed on its behalf by:

CHEUNG Tak On	**WANG Zhigao**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Special reserve RMB'000 (note b)	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	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 year	–	–	–	–	–	–	1,253,099	1,253,099	71,937	1,325,036
Other comprehensive expense for the year	–	–	–	–	–	(15,161)	–	(15,161)	–	(15,161)
Total comprehensive (expense) income for the year	–	–	–	–	–	(15,161)	1,253,099	1,237,938	71,937	1,309,875
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	71,382	71,382
Acquisition of non-controlling interests	–	–	–	(45,133)	–	–	–	(45,133)	(33,156)	(78,289)
Disposal of partial equity interest in subsidiaries without losing control	–	–	–	(868)	–	–	–	(868)	4,868	4,000
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(39)	(39)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	812	812
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	16,817	–	–	16,817	–	16,817
Exercise of share options	30	11,243	–	–	–	–	–	11,273	–	11,273
Transfer to statutory reserve	–	–	305,956	–	–	–	(305,956)	–	–	–
Dividends recognized as distributions *(Note 12)*	–	(520,425)	–	–	–	–	–	(520,425)	–	(520,425)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(76,853)	(76,853)
At December 31, 2018	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 year	–	–	–	–	–	–	1,472,984	1,472,984	96,070	1,569,054
Other comprehensive income for the year	–	–	–	–	–	1,331	–	1,331	–	1,331
Total comprehensive income for the year	–	–	–	–	–	1,331	1,472,984	1,474,315	96,070	1,570,385
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	7,094	7,094
Acquisition of non-controlling interests	–	–	–	(899)	–	–	–	(899)	(3,862)	(4,761)
Disposal of subsidiaries *(Note 40)*	–	–	–	–	–	–	–	–	(1,266)	(1,266)
Recognition of equity-settle share-based payments *(Note 38)*	–	–	–	–	22,732	–	–	22,732	–	22,732
Exercise of share options	17	6,301	–	–	–	–	–	6,318	–	6,318
Transfer to statutory reserve	–	–	227,361	–	–	–	(227,361)	–	–	–
Dividends recognized as distributions *(Note 12)*	–	(413,717)	–	–	–	–	–	(413,717)	–	(413,717)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(59,053)	(59,053)
Other adjustments	–	–	–	(627)	–	–	–	(627)	–	(627)
At December 31, 2019	15,080	1,826,226	1,408,647	219,974	131,114	(8,041)	6,288,540	9,881,540	571,057	10,452,597

Notes:

a. 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 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.

b. The special reserve mainly consisted of:

   (i) an amount of RMB333,647,000 representing deemed distribution to the owners of the subsidiaries of the Group pursuant to a group reorganization which was effected in 2011;

   (ii) a reduction of reserve of approximately RMB118,112,000 representing the difference between the consideration paid/received and the carrying amount of the non-controlling interests upon acquisition or disposal of partial interests in subsidiaries in prior years;

   (iii) an amount of RMB5,965,000 representing the difference between the fair value of consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in prior years; and

   (iv) a reduction of reserve of approximately RMB899,000 representing the difference between the consideration paid and the carrying amount of the non-controlling interests derecognized upon acquisition of partial interests in subsidiaries in 2019.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,075,782**	1,752,561
Adjustments for:		
Finance costs	**778,148**	681,292
Interest income on bank deposits	**(22,996)**	(18,051)
Interest income from a related party	**(3,456)**	(3,437)
Loss on disposal of subsidiaries	**2,885**	764
Loss on disposal of interest in an associate	**53**	–
Depreciation of property, plant and equipment	**685,018**	524,980
Depreciation of right-of-use assets	**247,380**	–
Release of prepaid lease payments	**–**	33,724
Amortization of intangible assets	**44,529**	41,854
Share-based payment expenses	**22,732**	16,817
Gain on disposal of property, plant and equipment and other intangible assets	**(22,473)**	(12,164)
Gain on fair value change of financial assets at FVTPL	**(22,169)**	(1,809)
Investment income of financial assets at FVTPL	**(984)**	(135)
(Reversal) provision of impairment of loan receivables	**(1,352)**	142
(Reversal) provision of impairment of finance lease receivables	**(143)**	1,558
Loss on changes in fair value of derivative financial instruments, net	**117,099**	10,984
Foreign exchange gain	**(117,099)**	(10,984)
Share of profit of associates	**(26,288)**	(50,813)
Share of profit of joint ventures	**(8,792)**	(9,566)
Operating cash flows before movements in working capital	**3,747,874**	2,957,717
Decrease in inventories	**422,805**	343,247
Increase in trade and other receivables	**(499,475)**	(1,279,192)
Decrease (increase) in finance lease receivables	**42,841**	(627,611)
Decrease in loan receivables	**160,486**	353,599
Decrease (increase) in cash in transit	**66,096**	(5,872)
Decrease in other liabilities	**(66,936)**	(187,056)
Increase in contract liabilities	**159,752**	283,625
Increase in trade and other payables	**977,591**	216,978
Decrease in amounts due from related parties	**11,646**	7,966
Decrease in amounts due to related parties	**(68)**	(5,257)
Withdrawal of restricted bank balances	**1,754,453**	1,622,868
Placement of restricted bank balances	**(2,450,362)**	(1,700,189)
Cash generated from operations	**4,326,703**	1,980,823
Income taxes paid	**(217,984)**	(282,318)
NET CASH FROM OPERATING ACTIVITIES	**4,108,719**	1,698,505

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(1,708,548)**	(1,630,065)
Purchase of intangible assets	**(44,922)**	(78,273)
Purchase of financial assets at FVTPL	**(40,000)**	(200,950)
Refund of financial assets at FVTPL	**125,259**	7,235
Payments for right-of-use asset	**(6,500)**	–
Additions to and deposits paid for prepaid lease payments	**–**	(46,307)
Proceeds on disposal of property, plant and equipment and right-of-use assets (2018: land use rights)	**447,780**	519,767
Advance to related parties	**(7,809)**	(5,400)
Advance to non-controlling interests	**–**	(32,100)
Collection of advance to non-controlling interests	**100**	38,034
Collection of advance to related parties	**3,786**	67,848
Collection of advance to independent third parties	**6,974**	–
Settlement of consideration for prior year acquisition of subsidiaries	**(34,197)**	(110,096)
Acquisition of subsidiaries	**(634,734)**	(200,781)
Payments for rental deposits	**(1,899)**	–
Proceeds on disposal of subsidiaries	**11,432**	(882)
Proceeds on disposal of an associate	**147**	–
Interest received	**23,993**	13,180
Dividends received from joint ventures	**8,460**	14,111
Dividends received from associates	**15,000**	8,610
Investment income received from financial assets at FVTPL	**984**	135
Investments in associates	**(12,946)**	(8,360)
Placement of time deposits	**(322,903)**	(38,600)
Withdrawal of time deposits	**38,600**	–
NET CASH USED IN INVESTING ACTIVITIES	**(2,131,943)**	(1,682,894)

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**29,795,483**	27,836,241
Repayment of borrowings	**(26,933,313)**	(24,824,171)
Proceeds from issue of super short-term commercial papers	**–**	2,300,000
Repayment of corporate bonds	**(2,000,000)**	–
Repayment of super short-term commercial papers	**(1,300,000)**	(3,600,000)
Payment for transaction costs of issue of super short-term commercial papers	**(375)**	(4,389)
Repayment of advance from former shareholders of acquired subsidiaries	**–**	(35,627)
Repayment of leases liabilities	**(153,047)**	–
Prepayment of advance from a related party	**(19,968)**	–
Capital injection by non-controlling interests	**7,094**	71,382
Acquisition of non-controlling interests	**(4,761)**	(75,839)
Advance from non-controlling interests	**1,204**	5,751
Advance from related parties	**18,732**	2,760
Repayment of advance from non-controlling interests	**(7,786)**	(21,378)
Interest paid	**(794,671)**	(727,649)
Placement of deposits to entities controlled by suppliers for borrowings	**(88,954)**	(59,455)
Withdrawal of deposits to entities controlled by suppliers for borrowings	**122,276**	37,301
Dividends paid as distribution	**(413,717)**	(520,425)
Dividends paid to non-controlling interests	**(57,076)**	(76,853)
Proceeds from partial disposal of subsidiaries without losing control	**–**	4,000
Proceeds from exercise of share options	**6,318**	11,273
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,822,561)**	322,922
NET INCREASE IN CASH AND CASH EQUIVALENTS	**154,215**	338,533
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,056,208**	1,717,675
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,210,423**	2,056,208

1. GENERAL INFORMATION

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 Company's registered office is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is Unit 5708, 57/F, The Center, 99 Queen's Road Central, Hong Kong.

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 automobile finance leasing and small loan 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 consolidated financial statements are presented in Renminbi (the "RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	*Leases*
IFRIC-Int 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 year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. IFRS 16 Leases

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

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 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.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognized additional 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 the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. 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:

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. *IFRS 16 Leases* (continued)

As a lessee (continued)

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

iii. 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.

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 incremental borrowing rate applied is 6% per-annum.

	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 as at January 1, 2019	1,606,056
Analyzed as	
Current	163,485
Non-current	1,442,571

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. *IFRS 16 Leases* (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets *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
Leased properties	1,422,294
	2,794,185

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 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 as at January 1, 2019.

	Impact of adopting IFRS 16 as at January 1, 2019 *RMB'000*
Retained profits	
Net additional expenses incurred when measuring right-of-use assets since lease commencement date under IFRS 16*	(194,495)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. *IFRS 16 Leases* (continued)

As a lessor (continued)

*: As at January 1, 2019, the Group recognized right-of-use assets at the carrying amounts as if IFRS 16 had been applied since the commencement dates of the leases, 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Lease liabilities are measured at the present value of remaining lease payments that are unpaid at January 1, 2019. The difference between the carrying amounts of the right-of-use assets and lease liabilities at January 1, 2019 is charged to opening retained profit as at January 1, 2019.

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

	NOTES	Carrying amounts 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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. IFRS 16 Leases (continued)

As a lessor (continued)

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 reclassified from refundable rental deposits paid to 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) As at January 1, 2019, the Group measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since the commencement dates of the leases by applying IFRS 16.C8(b)(i) transition. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Together with the adjustment sated in note (b), as at January 1, 2019, the right-of-use assets measured under the application of IFRS 16.C8(b)(i) transition amounted to RMB1,422,294,000.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IAS 1 and IAS 8	*Definition of Material*[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[4]

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective (continued)

1 Effective for annual periods beginning on or after January 1, 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In additional, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of the net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity components, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payments arrangements of the acquiree or share-based payments arrangements of the Group entered into to replace share-based payments arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale* and *Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the year in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within scope of IFRS9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associates or joint ventures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus Agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provide by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in the exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

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 or arising from business combinations 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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2)

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.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

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. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

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.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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 rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessee (prior to January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term.

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in Note 2)

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Classification and measurement of leases (continued)

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 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 for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Vendor rebates

Incentive rebates provided by vendors are recognized on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract. Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicles purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payments transactions

Share options granted to the directors and employees of the Company

Equity-settled share-based payments to the directors and employees are measured at the fair value of the equity instruments at the grant date.

The fair values of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest based on assessment of all relevant non-market vesting conditions, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

When share options are exercised, the amount previously recognized in share-based payments reserve will still be recorded in share-based payments reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will also still be recorded in share-based payments reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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* requirement to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to carrying amounts of right-of-use assets and lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are calculated using the individually method or weighted average method based on their nature, respectively. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial assets are held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial assets are held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which *IFRS 3 Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and other gains and losses" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, loan receivables, other non-current assets, cash in transit, time deposits, restricted bank balances and bank balances) and finance lease receivables which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings, estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(ii) Definition of default

For internal credit risk management purposes, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceeding, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cash flow used in measuring the lease receivable in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (prior to 1 January 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments; i.e. the Group's trade receivables, finance lease receivables, loan receivables are each assessed as a separate group;

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognized through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the group has elected in initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amounts due to related parties, borrowings, super short-term commercial papers, corporate bonds and other liabilities are subsequently measured at amortized cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

The impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgments. Determining whether goodwill acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in Note 18. As at December 31, 2019, the carrying amount of goodwill of the Group was approximately RMB1,236,585,000 (December 31, 2018: RMB977,146,000).

Deferred tax asset

As at December 31, 2019, a deferred tax asset of approximately RMB168,517,000 (December 31, 2018: RMB153,432,000) in relation to unused tax losses for certain operating subsidiaries has been recognized in the Group's consolidated statement of financial position. No deferred tax asset has been recognized on the tax losses of RMB127,360,000 (December 31, 2018: RMB182,257,000) due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value measurement

Certain of the Group's financial assets amounting to RMB333,963,000 as at December 31, 2019 (2018: RMB284,062,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 44(c) for further disclosures.

Provision of ECL for trade receivables, finance lease receivables and loan receivables

Except for trade receivables and finance lease receivables with significant balances and credit impaired which are assessed for ECL individually, the Group uses provision matrix to calculate ECL for the trade receivables, finance lease receivables and loan receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, financial receivables and loan receivables are disclosed in Notes 44(b), 23, 24 and 25 respectively.

Estimated useful lives and impairment of intangible assets acquired through business combination

The Group's management determines the estimated useful lives and the amortization method in determining the related amortization charges for the intangible assets acquired through business combination. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortization charges when useful lives become shorter than previously estimated. In addition, determining whether the intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2019, the carrying amounts of intangible assets acquired in business combination are approximately RMB1,692,026,000 (2018: RMB1,242,699,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated useful lives and impairment of property, plant, and equipment

The Group's management determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge when useful lives become shorter than previously estimate, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the year in which such event takes place. As at December 31, 2019 and 2018, the carrying amounts of property, plant and equipment are approximately RMB6,105,406,000 and RMB5,402,463,000, respectively.

5A. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue from contracts with customers

	2019 *RMB'000*	2018 *RMB'000*
Types of goods or services		
Sale of passenger vehicles:		
– Luxury and ultra-luxury brands *(note a)*	43,692,364	38,136,594
– Mid- to high-end brands *(note b)*	9,119,237	8,432,778
	52,811,601	46,569,372
Services		
– After-sales services	8,888,513	7,830,146
Total	61,700,114	54,399,518
Geographical markets		
Mainland China	61,700,114	54,399,518
Timing of revenue recognition		
A point in time	52,811,601	46,569,372
Over time	8,888,513	7,830,146
Total	61,700,114	54,399,518

5A. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

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.

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

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Sale of passenger vehicles	**After-sales services**	Sale of passenger vehicles	After-sales services
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Revenue disclosed in segment information				
External customers	**52,811,601**	**8,888,513**	46,569,372	7,830,146
Inter-segment	**123,077**	**8,109**	169,991	5,274
Total	**52,934,678**	**8,896,622**	46,739,363	7,835,420
Eliminations	**(123,077)**	**(8,109)**	(169,991)	(5,274)
Revenue from contracts with customers	**52,811,601**	**8,888,513**	46,569,372	7,830,146

5A. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations for contracts with customers

The Group sells passenger vehicles directly to customers through its own 4S outlets. Revenue is recognized when (or as) the passenger vehicles are transferred to the customers and the customers obtain control of that vehicles.

For after-sales services, the Group's performance enhances the vehicle that's within the customer's control, revenue is recognized over time.

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

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of sales of passenger vehicles and after-sales services as the Group's contracts have an original expected duration of less than one year.

5B. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the Group's chief operating decision makers who review the segment revenue and results when making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided. For passenger vehicle sales and services, the executive directors of the Company review the financial information of each outlet, hence each outlet constitutes a separate operating segment. However, the outlets possess similar economic characteristics, and are similar in terms of products and services, customers, methods used to distribute products and provide services, and regulatory environment. Therefore, all outlets are aggregated into one reportable segment, namely "passenger vehicle sales and services", for segment reporting purposes.

The Group's reportable segments are as follows:

- Passenger vehicle sales and services – (i) sale of passenger vehicles; and (ii) provision of after-sales services, including primarily repair and maintenance services, certain auxiliary passenger vehicles sales related services and provision of other passenger vehicles-related services;
- Automobile rental services; and
- Proprietary finance business.

5B. OPERATING SEGMENTS (continued)

Segment revenue and results

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

	Passenger vehicle sales and services *RMB'000*	Automobile rental services *RMB'000*	Proprietary finance business *RMB'000* *(note d)*	Eliminations *RMB'000*	Total *RMB'000*
For the year ended December 31, 2019					
External revenue	61,700,114	517,955	489,311	–	62,707,380
Inter-segment revenue	131,186	9,821	21,331	(162,338)	–
Segment revenue *(note a)*	61,831,300	527,776	510,642	(162,338)	62,707,380
Segment cost *(note b)*	(56,460,006)	(393,689)	(166,065)	176,299	(56,843,461)
Segment gross profit	5,371,294	134,087	344,577	13,961	5,863,919
Service income	1,106,346	–	–	(13,171)	1,093,175
Segment results	6,477,640	134,087	344,577	790	6,957,094
Other income and other gains and losses *(note c)*					84,088
Distribution and selling expenses					(2,732,514)
Administrative expenses					(1,489,818)
Finance costs					(778,148)
Share of profit of joint ventures					8,792
Share of profit of associates					26,288
Profit before tax					2,075,782

5B. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

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

	Passenger vehicle sales and services *RMB'000*	Automobile rental services *RMB'000*	Proprietary finance business *RMB'000* *(note d)*	Eliminations *RMB'000*	Total *RMB'000*
For the year ended December 31, 2018					
External revenue	54,399,518	408,361	510,607	–	55,318,486
Inter-segment revenue	175,265	–	32,771	(208,036)	–
Segment revenue *(note a)*	54,574,783	408,361	543,378	(208,036)	55,318,486
Segment cost *(note b)*	(49,848,858)	(295,535)	(196,547)	229,137	(50,111,803)
Segment gross profit	4,725,925	112,826	346,831	21,101	5,206,683
Service income	1,004,387	–	–	(30,068)	974,319
Segment results	5,730,312	112,826	346,831	(8,967)	6,181,002
Other income and other gains and losses *(note c)*					54,877
Distribution and selling expenses					(2,479,737)
Administrative expenses					(1,382,668)
Finance costs					(681,292)
Share of profit of joint ventures					9,566
Share of profit of associates					50,813
Profit before tax					1,752,561

5B. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

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

Notes:

a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2019 was RMB61,831,300,000 (2018: RMB54,574,783,000) which included the sales of passenger vehicles amounting to approximately RMB52,934,678,000 (2018: RMB46,739,363,000) and the after-sales services revenue amounting to approximately RMB8,896,622,000 (2018: RMB7,835,420,000).

b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2019 was RMB56,460,006,000 (2018: RMB49,848,858,000) which included the cost of sales of passenger vehicles amounting to approximately RMB51,688,484,000 (2018: RMB45,633,484,000) and the cost of after-sales services amounting to approximately RMB4,771,522,000 (2018: RMB4,215,374,000).

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

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 as described in Note 3. 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 6), distribution and selling expenses, administrative expenses, finance costs, share of profit of joint ventures and share of profit 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 are presented as it is not regularly reviewed by the executive directors of the Company.

Geographical information

Substantially all of the Group's revenue is generated in the PRC; and all of the Group's principal assets and liabilities for operation are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for the years ended December 31, 2019 and 2018.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Other income comprises:		
Service income *(note a)*	1,093,175	974,319
Government grants *(note b)*	12,743	17,692
Interest income on bank deposits	22,996	18,051
Interest income from a related party *(Note 47)*	3,456	3,437
Others	–	1,009
	1,132,370	1,014,508
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment and other intangible assets	22,473	12,164
Gain on fair value change of financial assets at FVTPL	22,169	1,809
Reversal (provision) of impairment of loan receivables	1,352	(142)
Reversal (provision) of impairment of finance lease receivables	143	(1,558)
Net foreign exchange gains	113,802	10,516
Investment income of financial assets at FVTPL	984	135
Net loss on changes in fair value of derivative financial instruments	(117,099)	(10,984)
Loss on deemed disposal of interest in an associate	(53)	–
Loss on disposal of subsidiaries	(2,885)	(764)
Others	4,007	3,512
	44,893	14,688
Total	1,177,263	1,029,196

Notes:

a. Service income was primarily related to agency income derived from distribution of automobile insurance products and automobile financial products in the PRC. It is recognized when the agency services have been completed, which is the point of time being when the services are accepted by customers. The normal credit term is 30 to 60 days upon invoiced. The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of service income as the Group's contract has an original expected duration of less than one year.

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

7. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on:		
– bank loans	461,096	374,363
– other borrowings from entities controlled by suppliers	41,183	60,126
– reimbursement to suppliers *(note a)*	74,026	87,305
– super short-term commercial papers*(Note 35)*	30,684	77,563
– corporate bonds*(Note 36)*	65,321	78,000
– lease liabilities	102,856	–
Release of capitalized transaction cost in relation to issue of super short-term commercial papers *(Note 35)*	1,710	4,128
Release of capitalized transaction cost in relation to issue of corporate bonds *(Note 36)*	5,578	2,028
Less: interest capitalized *(note b)*	(4,306)	(2,221)
	778,148	681,292

Notes:

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 purchase of new passenger vehicles.

b. Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 5.96% (2018: 5.47%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	468,051	399,498
Underprovision of PRC EIT in prior years	2,499	2,520
	470,550	402,018
Deferred tax *(Note 33)*:		
Current year charge	36,178	25,507
	506,728	427,525

8. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit before tax as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	**2,075,782**	1,752,561
Tax at the PRC EIT rate of 25% (2018: 25%)	**518,945**	438,140
Tax effect of expenses not deductible for tax purpose	**28,905**	9,105
Tax effect of income not taxable for tax purpose	**(13,702)**	(2,029)
Tax effect of share of results of associates and joint ventures	**(8,770)**	(15,095)
Effect of withholding tax associated with interest income arising from intra-group borrowings	**4,980**	2,545
Tax effect of preferential tax rates for certain subsidiaries	**(12,405)**	(1,177)
Utilization of tax losses previously not recognized	**(14,293)**	(7,532)
Tax effect of tax loss not recognized	**569**	1,048
Underprovision of PRC EIT in prior years	**2,499**	2,520
Income tax expense for the year	**506,728**	427,525

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, is incorporated in Hong Kong and 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 Company's PRC subsidiaries, except for some small profit-making PRC subsidiaries which are entitled to a preferential tax rate of 5% to 10% with the expiry date on 31 December 2021.

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 consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB6,285,053,000 (2018: RMB5,454,268,000) 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.

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2019 RMB'000	2018 RMB'000
Staff costs, including directors' remuneration *(Note 10)*:		
Salaries, wages and other benefits	**1,509,789**	1,452,857
Retirement benefits scheme contributions	**141,816**	140,706
Share-based payment expenses	**22,732**	16,817
Total staff costs	**1,674,337**	1,610,380
Auditors' remuneration:		
– in respect of audit service for the Company	**6,560**	6,560
– in respect of the statutory audits for the subsidiaries of the Company	**2,888**	3,285
Total auditors' remuneration	**9,448**	9,845
Cost of inventories recognized as an expense	**54,752,355**	49,681,592
Depreciation of property, plant and equipment	**685,018**	524,980
Depreciation of right-of-use assets	**247,380**	–
Release of prepaid lease payments	**–**	33,724
Minimum operating lease expenses	**–**	310,502
Amortization of intangibles assets	**44,529**	41,854

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the chief executive and the directors of the Company for the year are as follows:

	2019 RMB'000	2018 RMB'000
Fees	**960**	960
Other emoluments		
Salaries and other benefits	**8,976**	9,246
Contributions to retirement benefits scheme	**227**	233
Share-based payments	**3,037**	3,343
	13,200	13,782

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the chief executive and the directors of the Company on a named basis are as follows:

For the year ended December 31, 2019

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Executive Directors					
Cheung Tak On	–	2,652	49	–	2,701
Cai Yingjie	–	1,704	49	–	1,753
Wang Zhigao	–	1,388	31	–	1,419
Xu Yue	–	1,604	49	2,254	3,907
Chen Yi	–	1,628	49	696	2,373
Non-Executive Director					
Wang Liqun	240	–	–	29	269
Independent Non-Executive Directors					
Lyu Wei	240	–	–	29	269
Zhu Anna Dezhen	240	–	–	29	269
Mu Binrui	240	–	–	–	240
	960	8,976	227	3,037	13,200

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the chief executive and the directors of the Company on a named basis are as follows: (continued)

For the year ended December 31, 2018

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Executive Directors					
Cheung Tak On	–	2,646	50	–	2,696
Cai Yingjie	–	1,698	50	–	1,748
Wang Zhigao	–	1,684	33	–	1,717
Xu Yue	–	1,597	50	2,417	4,064
Chen Yi	–	1,621	50	810	2,481
Non-Executive Director					
Wang Liqun	240	–	–	29	269
Independent Non-Executive Directors					
Lyu Wei	240	–	–	29	269
Chen Xianglin	240	–	–	29	269
Zhu Anna Dezhen	240	–	–	29	269
	960	9,246	233	3,343	13,782

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the chief executive and the directors of the Company on a named basis are as follows: (continued)

Mr. Cheung Tak On is the Chairman of the Board of Directors of the Company and his emoluments disclosed above include those services rendered by him as the director of the Company and the Group.

Mr. Cai Yingjie is the Chief Executive and a director of the Company and his emoluments disclosed above include those services rendered by him as the Chief Executive.

Mr. Xu Yue is the President and a director of the Company and his emoluments disclosed above include those services rendered by him as the President.

Ms. Chen Yi is the Vice-president and a director of the Company and her emoluments disclosed above include those services in connection with the management of the affaires of the Company and the Group.

Mr. Wang Zhigao is the Vice-chairman of the Company and his emoluments disclosed above include those services in connection with the management of the affaires of the Company and the Group.

The non-executive director's emoluments shown above were for their services as directors of the Company.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group for the year included five directors for the year ended December 31, 2019 (2018: five).

The emolument of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2019	2018
Hong Kong dollars ("HK$") 1,500,001-HK$2,000,000	**2**	–
HK$2,000,001-HK$2,500,000	**–**	2
HK$2,500,001-HK$3,000,000	**1**	1
HK$3,000,001-HK$3,500,000	**1**	1
HK$3,500,001-HK$4,000,000	**–**	–
HK$4,000,001-HK$4,500,000	**1**	–
HK$4,500,001-HK$5,000,000	**–**	1
	5	5

11. FIVE HIGHEST PAID EMPLOYEES (continued)

During the year ended December 31, 2019, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors of the Company waived or agreed to waive any emoluments during both of the years.

12. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2018 final dividends – RMB0.225 (equivalent to HK$0.25593) (2018:2017 final dividends – RMB0.283 (equivalent to HK$0.336))	**413,717**	520,425

No dividend in respect of the year ended December 31, 2019 has been proposed by the directors of the Company.

13. 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,472,984**	1,253,099

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,839,007**	1,836,663
Effect of dilutive potential ordinary shares:		
Share options	**4,978**	7,796
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,843,985**	1,844,459

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2018	2,387,177	493,564	1,273,456	387,200	1,403,281	172,870	6,117,548
Additions	19,862	30,921	179,425	71,554	1,094,144	245,479	1,641,385
Acquired on acquisition of subsidiaries	53,622	602	2,138	1,196	5,201	1,257	64,016
Transfer	82,448	1,112	98,092	2,743	–	(184,395)	–
Disposals	(56,739)	(6,162)	(28,598)	(5,715)	(662,538)	(1,748)	(761,500)
Disposal of subsidiaries	–	(413)	(1,455)	(634)	(820)	–	(3,322)
At December 31, 2018	2,486,370	519,624	1,523,058	456,344	1,839,268	233,463	7,058,127
Additions	25,227	44,238	202,869	90,302	1,014,651	223,616	1,600,903
Acquired on acquisition of subsidiaries *(Note 39)*	65,223	5,890	91,326	8,106	36,819	2,148	209,512
Transfer	102,492	–	87,927	–		(190,419)	–
Disposals	(541)	(16,684)	(4,440)	(17,962)	(674,970)	(2,408)	(717,005)
Disposal of subsidiaries *(Note 40)*	–	–	(1,435)	(147)	–	–	(1,582)
At December 31, 2019	2,678,771	553,068	1,899,305	536,643	2,215,768	266,400	8,149,955
DEPRECIATION							
At January 1, 2018	294,156	266,943	297,779	210,113	319,402	–	1,388,393
Provided for the year	51,553	50,322	102,187	72,233	248,685	–	524,980
Eliminated on disposals	(2,708)	(5,056)	(23,242)	(3,947)	(221,714)	–	(256,667)
Eliminated on disposals of subsidiaries	–	(114)	–	(317)	(611)	–	(1,042)
At December 31, 2018	343,001	312,095	376,724	278,082	345,762	–	1,655,664
Provided for the year	118,967	54,548	150,789	56,855	303,859	–	685,018
Eliminated on disposals	(150)	(15,242)	(920)	(14,175)	(265,517)	–	(296,004)
Eliminated on disposals of subsidiaries *(Note 40)*	–	–	(89)	(40)	–	–	(129)
At December 31, 2019	461,818	351,401	526,504	320,722	384,104	–	2,044,549
CARRYING VALUES							
At December 31, 2018	2,143,369	207,529	1,146,334	178,262	1,493,506	233,463	5,402,463
At December 31, 2019	2,216,953	201,667	1,372,801	215,921	1,831,664	266,400	6,105,406

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, taking into account their estimated residual values, at the following rates per annum where applicable:

Buildings	Over the shorter of the remaining lease term of land on which buildings are located and useful life of buildings of 20 – 40 years
Plant and machinery	11.88% – 31.67%
Leasehold improvements	10% – 20%
Furniture, fixtures and equipment	19%
Motor vehicles	14% – 19%

Details of the Group's buildings and motor vehicles pledged to secure bank borrowings granted to the Group are set out in Note 34.

The Group leases out a number of motor vehicles under operating lease. The leases typically run for an initial period of one to three years. None of the leases include the variable lease payments. The reconciliation of the carrying amount at the beginning and end of the period are set out as below:

	Motor vehicles *RMB'000*
COST	
At January 1, 2019	1,066,406
Additions	394,957
Disposals	(160,168)
At December 31, 2019	1,301,195
DEPRECIATION	
At January 1, 2019	196,871
Provided for the year	157,204
Eliminated on disposals	(113,546)
At December 31, 2019	240,529
CARRYING VALUES	
At January 1, 2019	869,535
At December 31, 2019	1,060,666

15. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at January 1, 2019			
Carrying amount	1,371,891	1,422,294	2,794,185
As at 31 December 2019			
Carrying amount	1,394,230	1,638,744	3,032,974
For the year ended 31 December 2019			
Depreciation charge	(44,000)	(203,380)	(247,380)

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date from initial application of IFRS 16	28,816
Total cash outflow for leases	(291,219)
Additions to right-of-use assets *(Note)*	486,169

Note: Amount includes right-of-use assets resulting from business combinations and new lease contracts entered.

For both years, the Group leases various leasehold lands and properties, offices and warehouses for its operations. Lease contracts are entered into for fixed term of 3 months to 20 years. Lease terms are negotiated on an individual basis and contain similar terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several commercial buildings where its business are operated. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Details of the Group's leasehold land pledged to secure bank borrowings granted to the Group are set out in Note 34.

16. GOODWILL

	2019	2018
	RMB'000	*RMB'000*
COST		
At the beginning of the year	**977,146**	903,791
Acquisitions of subsidiaries *(Note 39)*	**259,439**	73,355
At the end of the year	**1,236,585**	977,146

Particulars regarding impairment testing on goodwill are disclosed in Note 18.

17. OTHER INTANGIBLE ASSETS

	Dealership agreements	**Customer relationship**	**Vehicle licence plates**	**Software**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At January 1, 2018	1,193,768	136,619	229,054	29,660	1,589,101
Acquisition of subsidiaries	11,000	–	3,257	–	14,257
Additions	–	–	59,851	18,422	78,273
Disposals	–	–	(539)	–	(539)
At December 31, 2018	1,204,768	136,619	291,623	48,082	1,681,092
Acquisition of subsidiaries *(Note 39)*	434,100	53,700	–	–	487,800
Additions	–	–	37,075	7,847	44,922
At December 31, 2019	1,638,868	190,319	328,698	55,929	2,213,814
AMORTIZATION					
At January 1, 2018	43,625	16,865	–	2,053	62,543
Provided for the year	29,844	8,354	–	3,656	41,854
At December 31, 2018	73,469	25,219	–	5,709	104,397
Provided for the year	30,119	8,354	–	6,056	44,529
At December 31, 2019	103,588	33,573	–	11,765	148,926
CARRYING VALUES					
At December 31, 2018	1,131,299	111,400	291,623	42,373	1,576,695
At December 31, 2019	1,535,280	156,746	328,698	44,164	2,064,888

17. OTHER INTANGIBLE ASSETS (continued)

Dealership agreements, customer relationship and software are stated at cost less any impairment losses and are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of these intangible assets are as follows:

Dealership agreements	40 years
Customer relationship	15 years
Software	5-10 years

The majority of vehicle licence plates were issued by the relevant authorities in Shanghai and Guangzhou with no expiration dates. As such, the management of the Group considers such licence plates to have an indefinite useful life and they are carried at cost less any subsequent impairment losses, if any.

The licence plates will not be amortized until the respective useful life is determined to be finite. Instead, they will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The management of the Group determined that there was no impairment of licence plates as their market value exceeds their carrying amount as at the end of the reporting periods.

18. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 16 have been allocated to certain individual cash generating units ("CGUs") by different brands and locations which were all included in passenger vehicle sales segment. The carrying amounts of goodwill are as follows:

	Goodwill	
	2019	2018
	RMB'000	*RMB'000*
CGU A	**192,236**	192,236
CGU B	**178,167**	178,167
CGU C	**148,267**	148,267
CGU D	**81,803**	81,803
CGU E	**72,159**	72,159
CGU F	**73,355**	73,355
CGU G	**120,183**	–
CGU H	**64,959**	–
Others	**305,456**	231,159
Total	**1,236,585**	977,146

18. IMPAIRMENT TESTING ON GOODWILL (continued)

In opinion of the directors of Company, the goodwill comprises the fair value of future profit from expected business synergies arising from acquisitions, which is not separately recognized.

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, changes in selling prices and direct costs during the year. The management of the Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to CGUs. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year ended December 31, 2019, the Group performed impairment review for goodwill and intangible assets of CGUs based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by the management using discount rates ranging from 12% to 13% (2018: 11% to 12%) which reflects current market assessments of the time value of money and the risks specific to CGUs. The cash flows beyond the next five years are extrapolated using a growth rate of 3% per annum (2018: 3%). The growth rates are by reference to industry growth forecasts. During the years ended December 31, 2019 and 2018, the management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

19. INTERESTS IN JOINT VENTURES

	2019	2018
	RMB'000	*RMB'000*
Cost of unlisted investments in joint ventures	**82,455**	82,455
Share of post-acquisition profits, net of dividends received	**14,960**	14,628
	97,415	97,083

19. INTERESTS IN JOINT VENTURES (continued)

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2019	2018	**2019**	2018	
					%	%	**%**	%	
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda") 上海巴士永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S (sales, spare parts, service and survey) dealership
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") 上海永達長榮汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S dealership
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda") 哈爾濱永達國際汽車廣場有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**36**	36	**36**	36	4S dealership
Ryde 88 Pty Limited	Australian limited liability enterprise	Australia	Australia	Limited by shares	**40**	40	**40**	40	Proprietary company

* The English names of the above entities established in the PRC are translated for identification purpose only.

None of the joint ventures are considered individually material, and the aggregate information of all the joint ventures are as follows:

	2019	2018
	RMB'000	*RMB'000*
The Group's share of profit and total comprehensive income for the year	**8,792**	9,566

20. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investments in associates	**359,124**	345,853
Share of post-acquisition profits and net of dividends received	**103,043**	95,217
	462,167	441,070

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2019 %	2018 %	2019 %	2018 %	
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile") 上海永達風度汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S dealership
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda") 上海東方永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	49	**49**	49	Sale of passenger vehicles
Shanghai Jinjiang Toyota Automobile Sales and Services Co., Ltd. 上海錦江豐田汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**20**	20	**20**	20	4S dealership
Changjiang United Finance Leasing Co., Ltd. ("Changjiang United") *(note 1)* 長江聯合金融租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**12**	15	**12**	15	Finance leasing
Guandao Network Technology (Shanghai) Co., Ltd. 觀道網路科技(上海)有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**30**	30	**30**	30	Software development

20. INTERESTS IN ASSOCIATES (continued)

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group 2019 %	2018 %	Proportion of voting power held 2019 %	2018 %	Principal activity
Sichuan Yongzhida second-hand car sales Co. Ltd. ("Sichuan Yongzhida") 四川永智達二手車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**36**	36	**36**	36	Sale of used cars
Anhui Jiajia Yongda Automobile Sales Co.Ltd.("Anhui Jiajia") 安徽家家永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	49	**49**	49	Sale of passenger vehicles
Shanghai Shenbei Lexus car sales Co. Ltd. Co.Ltd.("Shenbei Lexus") *(note 3)* 上海申北雷克薩斯汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**30**	30	**30**	30	4S dealership
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd. ("Guangzhou Xianghe Zhongyue") 廣州祥和眾悦實業發展有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**47**	47	**47**	47	4S dealership's property investments
Nanjing Yongda Haoxiang Automobile Sales Co.Ltd.("Yongda Haoxiang") *(note 2)* 南京永達好享汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	–	**49**	–	Sale of passenger vehicles
Shenzhen Zhongyue Baocheng Automobile Sales and Services Co., Ltd. *(note 4)* ("Shenzhen Zhongyue") 深圳眾悦寶誠汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**-**	20	**N/A**	N/A	Sale of spare parts

* The English names of all associates established in the PRC are translated for identification purpose only.

20. INTERESTS IN ASSOCIATES (continued)

Notes:

1. Pursuant to the articles of Changjiang United, the Group has the right to appoint one out of nine directors of the board. As such, the Group considers it could have significant influence over Changjiang United and treated it as an associate. During the year ended December 31, 2019, the Group's equity interest in Changjiang United has been diluted from 15.00% to 12.24% due to the additional contribution from the controlling shareholder.

2. During the year ended December 31, 2019, Yongda Haoxiang was established and the Group contributed cash of RMB196,000.

3. During the year ended December 31, 2019, the Group contributed cash of RMB12,750,000 as further investment in Shenbei Lexus.

4. During the year ended December 31, 2019, the Group disposed the entire 20% equity interests of Shenzhen Zhongyue for a consideration of RMB147,000.

Summarized financial information of a material associate

Summarized financial information in respect of the Group's material associate is set out below.

Changjiang United

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current assets	**781,338**	2,236,266
Non-current assets	**22,965,372**	21,034,712
Current liabilities	**19,902,812**	19,994,933
Non-current liabilities	**500,000**	600,000

20. INTERESTS IN ASSOCIATES (continued)

Changjiang United (continued)

	2019 RMB'000	2018 RMB'000
Revenue for the year	865,677	639,749
Profit and total comprehensive income for the year	156,752	341,916
The Group's share of profit and total comprehensive income of Changjiang United for the year	23,513	51,287
Dividend received from Changjiang United for the year	15,000	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net asset of Changjiang United	3,343,898	2,676,045
Proportion of the Group's ownership interest in Changjiang United	12.24%	15.00%
Carrying amount of the Group's ownership interest in Changjiang United	409,293	401,407

Aggregate information of associates that are not individually material

	2019 RMB'000	2018 RMB'000
The Group's share of profit (loss) and total comprehensive income (expense) of these associates for the year	2,775	(474)
Aggregate carrying amount of the Group's interests in these associates	52,874	39,663
Dividend received from these associates for the year	–	8,610

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019 RMB'000	December 31, 2018 RMB'000
Current		
– Fund investments (a)	1,000	110,000
– Equity investments (b)	339,542	293,632
Total	340,542	403,632

(a) Fund investments

During the year ended December 31, 2019, the Group entered into several contracts to purchase fund instruments amounting to RMB1,000,000 from financial institutions, and accounted for such investments as financial assets at FVTPL at initial recognition. The return of the fund investments is determined by reference to the performance of the underlying debt instruments and the expected return rate stated in the contracts. The fair value change was insignificant for the current year.

(b) Equity investments

	December 31, 2019 RMB'000	December 31, 2018 RMB'000
– Listed equity security (i)	5,579	9,570
– Limited partnership enterprises (ii)	219,597	165,362
– Unlisted equity securities (iii)	114,366	118,700
Total	339,542	293,632

i. During the year ended December 31, 2019, nil (2018: RMB17,833,000) of certain investments in listed equity security was disposed by the Group. For the year ended December 31, 2019, a fair value loss of RMB3,991,000 (2018: a fair value gain of RMB1,809,000) based on the quoted bid prices in an active market is recognized in the "other income and other gains and losses".

ii. During the year ended December 31, 2019, the Group withdrew certain investments in limited partnership enterprises amounting to RMB15,259,000 (2018: RMB7,235,000) and increased investments of certain other limited partnership enterprise amounting to RMB39,000,000 (2018: RMB40,950,000), which are also measured at FVTPL.

For the year ended December 31, 2019, a fair value gain of RMB30,494,000 (2018: nil) based on the valuation is recognized in the "other income and other gains and losses".

iii. During the year ended December 31, 2019, a fair value loss of RMB4,334,000 (2018: nil) based on the valuation is recognized in the "other income and other gains and losses".

22. EQUITY INSTRUMENTS AT FVTOCI

	December 31, 2019 RMB'000	December 31, 2018 RMB'000
Listed equity security *(note)*	10,658	9,327

Note:

The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended December 31, 2019, a fair value gain of RMB1,331,000 (2018: a fair value loss of RMB15,161,000) was recognized in the FVTOCI reserve.

23. 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.

	2019 RMB'000	2018 RMB'000
Analyzed as:		
Current	2,193,384	1,877,661
Non-current	1,385,578	1,744,000
	3,578,962	3,621,661

23. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**2,366,534**	2,063,346	**2,193,384**	1,877,661
In more than one year but not more than two years	**1,005,465**	1,599,508	**862,543**	1,392,834
In more than two years but not more than five years	**574,236**	486,312	**531,254**	359,528
	3,946,235	4,149,166	**3,587,181**	3,630,023
Less: unearned finance income	**(359,054)**	(519,143)	**N/A**	N/A
Less: allowances for impairment loss under ECL model *(Note 44(b))*	**(8,219)**	(8,362)	**(8,219)**	(8,362)
Present value of minimum lease payment receivables	**3,578,962**	3,621,661	**3,578,962**	3,621,661

At December 31, 2019, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB31,961,000 (2018: RMB67,304,000) and RMB45,027,000 (2018: RMB76,619,000) (Note 29) were recognized as other non-current liabilities and current liabilities, respectively.

24. LOAN RECEIVABLES

	2019 RMB'000	2018 RMB'000
Guaranteed but unsecured loans	**193,067**	226,052
Secured but unguaranteed loans	**165,054**	292,555
Gross loan receivables	**358,121**	518,607
Less: allowances for impairment losses under ECL model *(Note 44(b))*	**(3,214)**	(4,566)
Net loan receivables	**354,907**	514,041
Analyzed as:		
Current	**321,551**	427,866
Non-current	**33,356**	86,175
	354,907	514,041

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

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

	2019 RMB'000	2018 RMB'000
Fixed-rate loan receivables:		
Within one year	**321,551**	427,866
In more than one year but not more than two years	**28,708**	64,884
In more than two years but not more than three years	**4,648**	21,291
	354,907	514,041

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

25. 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;

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

	2019	2018
	RMB'000	*RMB'000*
Current		
Trade receivables	**995,924**	809,964
Bills receivables	**230**	–
	996,154	809,964
Prepayments and other receivables comprise:		
Prepayments and deposits to suppliers	**2,209,191**	2,185,651
Deposits to entities controlled by suppliers for borrowings	**181,131**	214,453
Prepayments and rental deposits on properties	**44,064**	57,679
Rebate receivables from suppliers	**2,454,664**	2,134,548
Interest receivables	**3,874**	4,871
Finance and insurance commission receivables	**187,215**	132,256
Staff advances	**17,758**	10,087
Value-added tax recoverable	**454,151**	381,410
Receivables from former shareholders of acquired subsidiaries	**66,728**	–
Advances to non-controlling interests *(note a)*	**35,300**	35,400
Advances to independent third parties *(note a)*	**15,923**	22,897
Others	**187,267**	203,559
Less: allowance for impairment loss under ECL model *(Note 44(b))*	**(6,420)**	(6,420)
	5,850,846	5,376,391
	6,847,000	6,186,355
Non-current		
Other assets		
Advances to non-controlling interests *(note b)*	**30,000**	30,000

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

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, which was payable upon the maturity due on December 5, 2021.

As at January 1, 2018, trade receivables from contracts with customers amounted to RMB680,256,000.

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

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**996,154**	809,964

None of the trade receivables is past due but not impaired as at the end of the reporting period. The Group does not notice any deterioration in the credit quality of its trade receivables. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Details of impairment assessment on trade and other receivables, and other non-current assets are set out in Note 44(b).

26. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Motor vehicles	**5,068,922**	5,258,890
Spare parts and accessories	**557,881**	570,605
	5,626,803	5,829,495

As at December 31, 2019, vehicle certificates ("車輛合格證") for certain of the Group's inventories with an aggregate carrying amount of RMB1,198,342,000 (2018: RMB773,055,000) were pledged as security for the Group's interest-bearing bank and other borrowings (Note 34).

As at December 31, 2019, vehicle certificates of the Group's inventories with an aggregate carrying amount of RMB2,588,302,000 (2018: RMB2,588,627,000) were pledged as security for the Group's bills payables.

27. CASH IN TRANSIT

Cash in transit represents sales settled by credit cards, which have yet to be credited to the Group by banks.

28. TIME DEPOSITS/RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at December 31, 2019, the Group had fixed-term time deposits in banks with carrying amounts of approximately RMB322,903,000 (2018: RMB38,600,000), which carry interest rate ranging from 1.98% to 3.0% (2018: 4%) per annum.

The Group also pledged certain of its bank balances with carrying amounts of RMB2,450,362,000 (2018: RMB1,754,453,000) to banks as security for bills payables and these restricted bank balances carry variable-rate interests ranging from 0.35% to 1.30% (2018: 0.35% to 1.30%) per annum. The restricted bank balances will be released upon the settlement of the relevant bills payables.

The remaining bank balances carry variable-rate interests ranging from 0.001% to 0.35% (2018: 0.001% to 0.35%) per annum.

The Group's time deposits, restricted bank balances, bank balances and cash that are denominated in currencies other than RMB are set out below:

	2019	2018
	RMB'000	*RMB'000*
HK$	**15,942**	25,126
United States Dollars ("US$")	**59,798**	3,316
Euro ("EUR€")	**259**	333
Great Britain Pound ("GBP£")	**79,239**	–
	155,238	28,775

29. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	2019 RMB'000	2018 RMB'000
Current		
Trade payables	694,997	640,462
Bills payables	5,372,084	4,197,984
	6,067,081	4,838,446
Other payables		
Other tax payables	157,795	98,347
Payable for acquisition of property, plant and equipment	43,341	80,662
Salary and welfare payables	83,154	37,630
Accrued interest	46,120	65,623
Accrued audit fee	4,960	4,660
Consideration payables for acquisition of subsidiaries *(note)*	228,160	36,509
Advance from non-controlling interests *(note)*	83,902	90,484
Dividend payable to non-controlling interests	1,976	–
Deposits received from customers under finance leases *(Note 23)*	45,027	76,619
Other accrued expenses	116,422	53,202
Others	192,596	121,699
	1,003,453	665,435
	7,070,534	5,503,881
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 23)*	31,961	67,304

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

29. 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 invoice date at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**4,404,167**	4,100,537
91 to 180 days	**1,662,914**	737,909
	6,067,081	4,838,446

30. CONTRACT LIABILITIES

	December 31, 2019	December 31, 2018
	RMB'000	*RMB'000*
Advances and deposits from customers	**1,725,445**	1,565,693

As at January 1, 2018, contract liabilities amounted to RMB1,282,068,000.

The Group classifies these contract liabilities as current because the Group expects to realize them in their normal operating cycle.

Advances and deposits from customers are mainly from passenger vehicle sales and typically no credit period is allowed.

All the contract liabilities at the beginning of the period have been realized to revenue in the reporting period and no revenue recognized in the reporting period from the performance obligations satisfied in previous periods.

31. DERIVATIVE FINANCIAL LIABILITIES

At the end of the reporting period, the Group held certain derivatives as follows:

	2019	2018
	RMB'000	*RMB'000*
Foreign currency forward contracts	**112,798**	6,009
Foreign currency options contracts	**4,301**	4,975
	117,099	10,984
Analyze as:		
Current	**12,606**	10,984
Non-current	**104,493**	–
	117,099	10,984

Foreign currency forward contracts

The Group entered into several US$/RMB foreign currency forward contracts with banks in order to manage the currency risk of Group's foreign bank loans.

	Receiving currency	**Selling currency**	**Maturity date**	**Weighted average forward exchange rate**
Contract A	US$9,576,000	RMB67,221,000	June 12, 2020	US$:RMB at 1: 7.0200
Contract B	US$70,000,000	RMB492,240,000	June 14, 2020	US$:RMB at 1: 7.0320
Contract C	US$65,000,000	RMB451,932,000	December 9, 2020	US$:RMB at 1: 6.9528
Contract D	US$35,000,000	RMB247,502,500	May 23, 2022	US$:RMB at 1: 7.0715
Contract E	US$100,000,000	RMB693,200,000	May 23, 2022	US$:RMB at 1: 6.9320
Contract F	US$10,000,000	RMB69,400,000	May 22, 2022	US$:RMB at 1: 6.9400
Contract G	US$110,000,000	RMB777,700,000	May 22, 2022	US$:RMB at 1: 7.0700
Contract H	US$40,000,000	RMB278,080,000	May 22, 2022	US$:RMB at 1: 6.9520
Contract I	US$40,000,000	RMB276,800,000	May 18, 2022	US$:RMB at 1: 6.9200

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with certain banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently no legally enforceable right to set off the recognized amount.

31. DERIVATIVE FINANCIAL LIABILITIES (continued)

Foreign currency options contracts

The Group entered into a US$/RMB foreign currency option contract with a bank in order to manage the Group's foreign currency risk.

The Group is required to transact with the bank for designated notional amount on each of the valuation dates specified within the respective contracts ("Valuation Date").

At the Valuation Date, the Reference Rate+ shall be compared against the strike rates (upper and lower)/ barrier rate as specified within the respective contracts, and the Group may receive from/pay to the bank an amount as specified in the contracts if certain conditions specified within the respective contracts are met.

The Reference Rate+ represents the spot rate as specified within the respective contracts.

Extracts of details of foreign currency options contract from the respective contracts are as follow:

	Notional amount	**Strike/barrier/forward rates**	**Ending settlement date**
	US$'000		
Contract J	42,444	US$:RMB at 1: 7.1108	August 13, 2020

32. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
At January 1, 2018, December 31, 2018 and 2019	2,500,000	25,000

32. SHARE CAPITAL (continued)

	Number of shares *'000*	Amount *HK$'000*	Shown in financial statements as *RMB'000*
Issued and fully paid:			
At January 1, 2018	1,834,522	18,345	15,033
Exercise of share options *(Note 38)*	3,590	36	30
At December 31, 2018	1,838,112	18,381	15,063
Exercise of share options *(Note 38)*	1,905	19	17
At December 31, 2019	1,840,017	18,400	15,080

33. DEFERRED TAXATION

(a) Deferred tax assets

The following are the major deferred tax assets recognized and movements thereon during the reporting period:

	Tax losses *RMB'000*	Property, plant and equipment impairment *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2018	99,375	31,572	8,487	139,434
Credit to profit or loss	55,138	–	2,367	57,505
Eliminated on disposal of subsidiaries	(1,081)	–	–	(1,081)
At December 31, 2018	153,432	31,572	10,854	195,858
Credit (charge) to profit or loss	15,743	(1,579)	(49)	14,115
Acquired on acquisition of subsidiaries *(Note 39)*	–	–	192	192
Eliminated on disposal of subsidiaries *(Note 40)*	(658)	–	–	(658)
At December 31, 2019	168,517	29,993	10,997	209,507

The deferred tax balances have reflected the tax rates that are expected to apply in the respective years when the asset is realized or the liability is settled.

33. DEFERRED TAXATION (continued)

(a) Deferred tax assets (continued)

The Group's unused tax losses of approximately RMB674,068,000 and RMB613,728,000 as at December 31, 2019 and 2018, respectively have been recognized as deferred tax assets as at the end of the reporting periods.

Balances of unused tax losses for which no deferred tax assets have been recognized due to the unpredictability of future profits stream are as follows:

	2019 RMB'000	2018 RMB'000
Tax losses	**127,360**	182,257

The unrecognized tax losses will be carried forward and expire in years as follows:

	2019 RMB'000	2018 RMB'000
2019	**–**	33,123
2020	**18,170**	30,419
2021	**16,010**	23,928
2022	**86,775**	90,593
2023	**4,129**	4,194
2024	**2,276**	–
	127,360	182,257

(b) Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At January 1, 2018	340,555	–	340,555
(Credit) charge to profit or loss	(10,444)	93,456	83,012
Acquired on acquisition of subsidiaries	53,966	–	53,966
At December 31, 2018	384,077	93,456	477,533
(Credit) charge to profit or loss	(12,578)	62,871	50,293
Acquired on acquisition of subsidiaries *(Note 39)*	131,475	–	131,475
At December 31, 2019	502,974	156,327	659,301

34. BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank loans	**11,158,344**	8,223,478
Other borrowings	**1,693,639**	1,872,451
	12,851,983	10,095,929
Secured borrowings, by the Group's assets	**2,775,486**	2,614,797
Unsecured borrowings	**10,076,497**	7,481,132
	12,851,983	10,095,929
Unguaranteed borrowings	**12,851,983**	10,095,929
Fixed-rate borrowings	**12,054,433**	9,576,126
Variable-rate borrowings	**797,550**	519,803
	12,851,983	10,095,929
Carrying amount repayable:		
Within one year	**10,129,408**	9,259,896
More than one year, but not exceeding two years	**–**	828,469
More than two years, but not exceeding five years	**2,722,575**	7,564
	12,851,983	10,095,929
Less: amounts due within one year shown under current liabilities	**(10,129,408)**	(9,259,896)
Amounts shown under non-current liabilities	**2,722,575**	836,033

34. BORROWINGS (continued)

The ranges of effective interest rates on the Group's bank and other borrowings are as follows:

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	3.46% to 6.09%	2.91% to 5.66%
Variable-rate borrowings	4.13% to 5.75%	4.35% to 5.75%

The Group's variable-rate bank borrowings carry interest at the People's Bank of China benchmark rate plus a premium, London Inter-Bank Offer Rate ("LIBOR") plus a margin and Hong Kong Interbank Offered Rates ("HIBOR").

At the end of the reporting period, other borrowings (i) are of a term less than one year; (ii) are interest-free from the first 15 days to four months after drawdown; and (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.

During the years ended December 31, 2019 and 2018, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	2019 RMB'000	2018 RMB'000
Right-of-use assets (leasehold land)	167,594	139,989
Property, plant and equipment (buildings and motor vehicles)	129,283	214,232
Inventories	1,198,342	733,055
Total	1,495,219	1,087,276

As at December 31, 2019, the Group has also pledged the total equity interests of subsidiaries with a carrying amount of RMB1,298 million (2018: RMB764 million) for bank borrowings obtained.

35. 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 will be 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, with an aggregate principal amount totalling RMB2.3 billion and repayment terms range from 180 days to 270 days. The super short-term commercial papers are unsecured and carry interests at rates range from 6.50% to 7.30% per annum. 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 December 31, 2019.

Movements of the super short-term commercial papers during the year are as follows:

	RMB'000
As at January 1, 2018	2,598,926
Issued during the year ended December 31, 2018	2,300,000
Less: repayment of the 2017 super short-term commercial papers	(2,600,000)
Less: repayment of the 2018 first and second tranche super short-term commercial papers	(1,000,000)
Less: payment of transaction costs in relation to issuance	(4,389)
Add: interest expenses – amortization of transaction costs *(Note 7)*	4,128
As at December 31, 2018	1,298,665
Less: repayment of the 2018 super short-term commercial papers	(1,300,000)
Less: payment of transaction costs in relation to issuance	(375)
Add: interest expenses – amortization of transaction costs *(Note 7)*	1,710
As at December 31, 2019	–

During the year ended December 31, 2019, interest expenses of approximately RMB30,684,000 (2018: RMB77,563,000) were recognized.

36. 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.

On November 2, 2016, Shanghai Yongda Investment fully issued the Corporate Bonds with a 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. The investors have exercised the option to resell all the corporate bonds to Shanghai Yongda Investment in 2019.

Movements of the Corporate Bonds during the year are as follows:

	RMB'000
As at January 1, 2018	1,992,394
Add: interest expenses – amortization of transaction costs	2,028
As at December 31, 2018	1,994,422
Add: interest expenses – amortization of transaction costs	5,578
Less: repayment of the Corporate Bonds	2,000,000
As at December 31, 2019	–

During the year ended December 31, 2019, interest expense of approximately RMB65,321,000 (2018: RMB78,000,000) was recognized. As at December 31, 2019, all the interest expense has been paid (2018: RMB12,822,000 interest payable was accrued in the other payables).

37. LEASE LIABILITIES

Lease liabilities payable:	As at December 31, 2019 RMB'000
Within one year	174,747
Within a period of more than one year but not more than two years	156,162
Within a period of more than two years but not more than five years	426,007
Within a period of more than five years	1,076,454
	1,833,370
Less: Amount due for settlement with 12 months shown under current liabilities	174,747
Amount due for settlement after 12 months shown under non-current liabilities	1,658,623

Lease liabilities of RMB1,833 million are recognized with the relevant right-of-use assets of RMB1,639 million as at December 31, 2019 using the weighted incremental borrowing rate of 6% per-annum. The lease agreements do not impose any covenants and the related leased assets may not be used as security for borrowing purposes.

As at December 31, 2019, the full amount of lease liabilities are secured by rental deposits with carrying amount of RMB25 million.

38. 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 optimize 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 the 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. 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.

38. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

On July 26, 2016, the Board of Directors of the Company resolved to cancel 29,700,000 outstanding share options exercisable at a price of HK$6.950 per share that were previously granted on December 30, 2013 to certain individuals (the "Existing Grantees"). On the same date, the Company granted a total of 35,000,000 share options under the Share Option Scheme to the Existing Grantees and certain new grantees (the "New Grantees", collectively the "Grantees") at the exercise price of HK$3.78 per share with vesting period from the date of grant to December 31, 2020.

On June 19, 2017, the Company granted a total of 10,500,000 share options under the Share Option Scheme to the Grantees at the exercise price of HK$8.14 per share with vesting period from the date of grant to June 19, 2022.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the years ended December 31, 2019 and 2018:

	Grant date	Exercised price (HK$)	Outstanding as at January 1, 2019	Granted during the year	Number of options exercised during the year *(Note 32)*	Lapsed during the years	Outstanding as at December 31, 2019
Directors:							
Mr. Wang Liqun	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Lyu Wei	July 26, 2016	3.78	200,000	–	–	–	200,000
Ms. Zhu Ann Dezhen	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Xu Yue	July 26, 2016	3.78	2,400,000	–	–	–	2,400,000
Employees and other	July 26, 2016	3.78	11,449,500	–	(1,905,000)	(250,000)	9,294,500
grantees	June 19, 2017	8.14	10,300,000	–	–	(1,359,000)	8,941,000
			24,749,500	–	(1,905,000)	(1,609,000)	21,235,500
Option exercisable			15,983,000				15,969,000
Weighted average exercise price (HK$)			5.59	–	3.78	7.46	5.62

38. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

	Grant date	Exercised price (HK$)	Outstanding as at January 1, 2018	Granted during the year	Number of options exercised during the year	Lapsed during the year	Outstanding as at December 31, 2018
Directors:							
Mr. Wang Liqun	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Lyu Wei	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Chen Xianglin	July 26, 2016	3.78	200,000	–	–	–	200,000
Ms. Zhu Ann Dezhen	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Xu Yue	July 26, 2016	3.78	2,400,000	–	–	–	2,400,000
Ms. Chen Yi	July 26, 2016	3.78	442,000	–	(442,000)	–	–
Employees and other	July 26, 2016	3.78	15,215,000	–	(3,147,500)	(818,000)	11,249,500
grantees	June 19, 2017	8.14	10,500,000	–	–	(200,000)	10,300,000
			29,357,000	–	(3,589,500)	(1,018,000)	24,749,500
Option exercisable			15,324,000				15,983,000
Weighted average exercise price (HK$)			5.34	–	3.78	4.64	5.59

As at December 31, 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 21,235,500 (2018: 24,749,500), representing 1.2% (2018: 1.3%) of the shares of the Company in issue at that date.

In respect of the share options exercised during the year ended December 31, 2019, the weighted average share price at the dates of exercise is HK$7.08 (2018: HK$8.561).

The Group recognized an expense of approximately RMB5,000,000 for the year ended December 31, 2019 in relation to the share options granted by the Company under the Share Option Scheme (2018: RMB3,618,000).

38. SHARE-BASED COMPENSATION (continued)

(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 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.

On August 30, 2013, the Board of Directors of the Company 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 year ended December 31, 2019, awards of approximately 2,667,000 (2018: 10,080,000) 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

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

Amount of approximately RMB17,732,000 (2018: RMB13,199,000) was recognized for the year ended December 31, 2019 in relation to such awards made by the Company under the Amended Scheme.

39. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Inchcape Asia Pacific Limited 4S ("4S") dealerships

In October 2019, the Group acquired 100% equity interests of eight subsidiaries from an independent third party for total cash consideration of RMB818.5 million, which comprise four holding companies, a Mercedes-Benz 4S dealership, a Porsche 4S dealership, a Lexus 4S dealership and an authorized Tesla repair network, to expand the Group's dealership network.

Aggregate assets acquired and liabilities assumed of entities operating on the acquisition date are as follows:

	RMB'000
Property, plant and equipment	140,957
Right-of-use assets	121,810
Other intangible assets	243,300
Inventories	126,842
Trade and other receivables	129,489
Bank balances and cash	303,058
Trade and other payables	(236,118)
Lease liabilities	(80,710)
Deferred tax liabilities	(69,384)
Net assets acquired	679,244
Goodwill	139,256
Consideration transferred	818,500
Satisfied by:	
Cash	740,417
Consideration payable	78,083
	818,500
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	303,058
Consideration paid	(740,417)
	(437,359)

39. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of Inchcape Asia Pacific Limited 4S ("4S") dealerships (continued)

Acquisition-related costs recognized as an expense in the current year were insignificant.

Included in the Group's profit for the year is RMB3,703,000 attributable to the subsidiaries acquired since the acquisition date. Group revenue for the year includes RMB106,888,000 generated from these subsidiaries.

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for the year ended December 31, 2019 would have been RMB64,140,245,000 and the amount of the profit for the year would have been RMB1,630,304,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

The fair value of trade and other receivables at the date of acquisition amounted to RMB129,489,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB129,489,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

(b) Acquisition of independent third party 4S dealerships

In December 2019, the Group acquired 100% equity interests of two subsidiaries from an independent third party for total cash consideration of RMB348 million, which comprise a Mercedes-Benz 4S dealership and a Lincoln 4S dealership, to expand the Group's dealership network.

39. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of independent third party 4S dealerships (continued)

Aggregate assets acquired and liabilities assumed of entities operating on the acquisition date are as follows:

	RMB'000
Property, plant and equipment	68,555
Right-of-use assets	79,521
Other intangible assets	244,500
Inventories	94,623
Trade and other receivables	105,673
Bank balances and cash	2,625
Deferred tax assets	192
Trade and other payables	(226,260)
Lease liabilities	(79,521)
Deferred tax liabilities	(62,091)
Net assets acquired	227,817
Goodwill	120,183
Consideration transferred	348,000
Satisfied by:	
Cash	200,000
Consideration payable	148,000
	348,000
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	2,625
Consideration paid	(200,000)
	(197,375)

Acquisition-related costs recognized as an expense in the current year were insignificant.

Included in the Group's profit for the year is RMB1,824,000 attributable to the subsidiaries acquired since the acquisition date. Group revenue for the year includes RMB93,642,000 generated from these subsidiaries.

39. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of independent third party 4S dealerships (continued)

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for the year ended December 31, 2019 would have been RMB63,409,551,000 and the amount of the profit for the year would have been RMB1,600,004,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

The fair value of trade and other receivables at the date of acquisition amounted to RMB105,673,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB105,673,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

40. DISPOSAL OF SUBSIDIARIES

In December 2019, the Group disposed of 70% equity interests in Sichuan Yongruihang Automobile Sales Service Co., Ltd. with consideration of RMB12.6 million.

The net assets at the dates of disposal were as follows:

	RMB'000
Property, plant and equipment	1,453
Deferred tax assets	658
Inventories	1,352
Trade and other receivables	14,013
Bank balances and cash	1,177
Trade and other payables	(1,893)
Net assets	16,760
Less: non-controlling interests	(1,266)
Net assets disposal of	15,494
Loss on disposal *(Note 6)*	(2,885)
Total consideration	12,609
Net cash inflow arising from disposal:	
Cash received	12,609
Less: bank balances and cash disposed of	(1,177)
	11,432

41. OPERATING LEASES

The Group as lessee

At December 31, 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's outlets which fall due as follows:

	As at December 31, 2018 RMB'000
Within one year	219,989
In the second to fifth years inclusive	719,990
After five years	987,917
	1,927,896

Operating lease payments represent rentals payable by the Group for certain properties and land. The leases in general run for an initial period of two to twenty years with an option to renew the leases when all the terms are renegotiated.

The Group as lessor

At the end of reporting period, the Group had contracted with car renters for the following future minimum lease payments:

	As at December 31, 2019 ***RMB'000***	As at December 31, 2018 *RMB'000*
Within one year	**192,358**	188,022
In the second year	**82,738**	87,863
In the third year	**32,436**	30,738
In the fourth year	**15,818**	8,583
In the fifth year	**6,470**	3,716
After the fifth year	**1,072**	3,083
	330,892	322,005

The Group provides automobile rental services for a term of no more than three years and for fixed rentals.

42. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of acquisition of		
– property, plant and equipment contracted for but not provided	**97,563**	85,254

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on an ongoing basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, capital injection, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

44 FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortized cost (including cash and cash equivalents)	**13,821,816**	12,373,852
Financial assets at FVTPL	**340,542**	403,632
Equity instruments at FVTOCI	**10,658**	9,327
	14,173,016	12,786,811
Financial liabilities		
Derivative financial liabilities	**117,099**	10,984
Financial liabilities at amortized cost	**19,716,338**	18,828,337
	19,833,437	18,839,321

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, finance lease receivables, loan receivables, other non-current assets, amounts due from related parties, cash in transit, time deposits, restricted bank balances, bank balances and cash, trade and other payables, amounts due to related parties, super short-term commercial papers, derivative financial liabilities, corporate bonds, other liabilities, lease liabilities and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Most of the Company's sales, purchase and expenditure are denominated in RMB. However, certain financial assets (principally bank balances and amounts due from related parties) and financial liabilities are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group mainly exposes to foreign currency of US$ and HK$. During the year ended December 31, 2019, the Group entered into several US$/RMB foreign currency forward contracts and a US$/RMB foreign currency option contract with banks in order to manage the Group's currency risk associated with currency risk (see Note 31 for details).

The carrying amounts of the financial assets and financial liabilities denominated in foreign currencies of the group entities at the end of each reporting period are as follows:

	2019 RMB'000	2018 RMB'000
Assets		
US$	59,798	3,316
HK$	15,942	25,126
EUR€	259	333
Australia Dollars ("AU$")	38,927	33,003
GBP£	79,239	–
Liabilities		
US$	3,655,884	259,588
HK$	–	596,952

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies of the group entities. A sensitivity rate of 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates of foreign currencies of the group entities. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies of the group entities and adjusts their translation at the end of each reporting period for a 5% change in related currency rates.

A positive number below indicates an increase in post-tax profit where foreign currencies of the group entities weaken 5% against RMB. For a 5% strengthen of foreign currencies of the group entities against RMB, there would be an equal and opposite impact on the post-tax profit.

	Foreign currencies of the Group entities impact	
	2019	2018
	RMB'000	*RMB'000*
Increase in post-tax profit for the year	**27,759**	29,804

Forward foreign exchange contracts

In addition, the Group has assessed that the exposure of 5% foreign exchange rate changes on the derivative financial liabilities, an increase in post-tax profit amounted to RMB27,759,000 (2018: RMB29,804,000) where foreign currencies of the group entities weaken 5% against RMB, whereas a negative number indicates a decrease in post-tax profit.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivables, finance lease receivables, fixed-rate bank borrowings, super short-term commercial papers, corporate bonds, other borrowings and lease liabilities. The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank balances and borrowings. It is the Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates, LIBOR and HIBOR.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

Bank balances, pledged bank deposits and borrowings are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances is insignificant.

Other price risk

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk.

If the prices of those financial assets at FVTPL had been 5% higher/lower, the Group's post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB12,770,000 (2018: RMB15,136,000).

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

In order to minimize credit risk, the Group has developed and maintained the credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, other non-current assets, finance lease receivables, loan receivables, cash in transit, time deposits, restricted bank balances and bank balances and cash.

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL -credit-impaired	Lifetime ECL -credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

	NOTES	**Internal credit rating**	**12-month or lifetime ECL**	**December 31, 2019 Gross carrying amount** *(RMB'000)*	**December 31, 2018 Gross carrying amount** *(RMB'000)*
Financial assets at amortized cost					
Trade receivable – goods and services	25	note 2a	Lifetime ECL	927,211	734,532
Trade receivable – automobile rental services	25	Low risk	12-month ECL	68,943	75,432
Loan receivables	24	Low risk	12-month ECL	356,871	516,993
		Watch list	12-month ECL	795	887
		Doubtful	Lifetime ECL	455	727
		note 3		358,121	518,607
Finance lease receivables	23	note 2b	Lifetime ECL	2,433,704	3,630,023
		Low risk	12-month ECL	1,153,477	–
				3,587,181	3,630,023
Amounts due from related parties	47	note 1a	12-month ECL	141,192	130,878
			Lifetime ECL	10,942	22,588
				152,134	153,466
Other receivables and other non-current assets	25	note 1b	12-month ECL	3,624,600	3,208,491
			Lifetime ECL	6,420	6,420
				3,631,020	3,214,911
Cash in transit	27	note 4	12-month ECL	150,872	216,968
Time deposits	28	note 4	12-month ECL	322,903	38,600
Restricted bank balances	28	note 4	12-month ECL	2,450,362	1,754,453
Bank balances and cash	28	note 4	12-month ECL	2,210,423	2,056,208

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1a. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, amounts due from related parties are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For the purpose of impairment assessment for the amounts due from related parties-non trade portion of RMB141,192,000, the Group has applied the 12-month ECL approach. For the amounts due from related parties-trade portion of RMB10,942,000, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance is measured at lifetime ECL. The directors of the Company considered that the 12m ECL and lifetime ECL allowance are insignificant as at January 1, 2019 and December 31, 2019.

1b: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, other receivables and other assets are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For other receivables and other non-current assets, debtors with significant outstanding balances with gross carrying amounts of RMB3,184 million as at December 31 2019 were assessed individually. These individually assessed receivables mainly comprised deposit and rebate receivables from certain suppliers of passenger vehicles in the PRC as at December 31, 2019. The Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, the Group could also choose to offset the payables for the passenger vehicles purchase from the suppliers as agreed. In order to further minimize the credit risk, the management of the Group delegates teams to deal with these suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. The delegated teams also reconcile with these suppliers on outstanding balances, prepayments made and transactions recorded in relevant reporting period annually to ensure trading information is properly recorded. In view of the actions taken by the Group and the fact that the counterparties are the sino-foreign joint ventures of renowned automobile manufacturers with high credit quality, the Group considers that credit risk in rebate receivables made to suppliers is significantly reduced.

The Group's advances to non-controlling interests of RMB65 million consist of several balances with different non-controlling interests in the PRC and there is no concentration of credit risk.

For the purpose of impairment assessment for the remaining other receivables, the Group has applied the 12-month ECL approach. The directors of the Company considered that the 12-month ECL and lifetime ECL allowance are insignificant as at January 1, 2019 and December 31, 2019.

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2a: For trade receivables – goods and services, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

The Group's trade receivables consist of a large number of customers located in the PRC which poses insignificant concentration of credit risk. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The directors of the Company considered that the life time ECL allowance are insignificant as at January 1, 2019 and December 31, 2019.

2b: For finance lease receivables, the Group has applied the 3-stage ECL approach in IFRS 9 to measure the loss allowance.

The following table provides information about the exposure to credit risk for finance lease receivables which are assessed under 3-stage ECL as at December 31, 2019. Debtors with significant outstanding balances with gross carrying amounts of RMB1,153 million as at December 31, 2019 were assessed individually.

	Carrying amount	Average loss rate	Loss allowance on finance lease receivables
	RMB'000		*RMB'000*
Gross carrying amount			
Current (not past due)	3,580,849	0.20%	7,162
1-30 days past due	1,167	0.69%	8
31-60 days past due	526	2.03%	11
61-90 days past due	275	7.31%	20
More than 90 days past due	4,364	23.33%	1,018
	3,587,181		8,219

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2b: (continued)

The following table shows the movement in lifetime ECL that has been recognized for finance lease receivables under 3-stage ECL.

	12-month ECL *RMB'000*	Lifetime ECL (not credit-impaired) *RMB'000*	Total *RMB'000*
As at December 31, 2018	–	8,362	8,362
Impairment losses reversed	–	(143)	(143)
As at December 31, 2019	–	8,219	8,219

3. For the purposes of impairment assessment, loan receivables are recognized at 3-stage ECL, among which 99.65% in stage 1, 0.22% in stage 2 and 0.13% in stage 3.

	Carrying amount *RMB'000*	Average loss rate	Loss allowance on loan receivables *RMB'000*
Gross carrying amount			
Current (not past due)	356,871	0.84%	2,990
1-30 days past due	176	2.57%	5
31-60 days past due	51	6.41%	3
61-90 days past due	568	16.03%	91
More than 90 days past due	455	27.40%	125
	358,121		3,214

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

3. (continued)

The following table shows the movement in ECL that has been recognized for loan receivables under the general approach.

	12-month ECL	Lifetime ECL (not credit-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2018	4,372	194	4,566
Impairment losses reversed	(1,283)	(69)	(1,352)
As at December 31, 2019	3,089	125	3,214

4. The credit risk in relation to the Group's cash in transit, time deposits, bank balances and cash and restricted bank balances is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants, if any.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date the Group can be required to pay, representing the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rates, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	After 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2019							
Non-derivative financial liabilities							
Trade and other payables	–	6,829,585	–	–	–	6,829,585	6,829,585
Amounts due to related parties	–	2,809	–	–	–	2,809	2,809
Borrowings	4.24%	4,283,337	6,034,261	3,062,587	–	13,380,185	12,851,983
Other liabilities	–	–	–	31,961	–	31,961	31,961
		11,115,731	6,034,261	3,094,548	–	20,244,540	19,716,338
Lease liabilities	6.00%	76,044	204,156	907,950	1,645,471	2,833,621	1,833,370
Derivative financial liabilities							
Foreign currency forward contracts		–	8,305	104,493	–	112,798	112,798
Foreign currency options contracts		–	4,301	–	–	4,301	4,301
		–	12,606	104,493	–	117,099	117,099
		11,191,775	6,251,023	4,106,991	1,645,471	23,195,260	21,666,807

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate %	Repayable on demand or within 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	After 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2018							
Non-derivative financial liabilities							
Trade and other payables	–	5,302,281	–	–	–	5,302,281	5,302,281
Amounts due to related parties	–	4,113	–	–	–	4,113	4,113
Borrowings	3.94%	4,707,264	4,787,707	874,205	–	10,369,176	10,095,929
Super short-term commercial papers	6.88%	543,712	808,617	–	–	1,352,329	1,298,665
Corporate bonds	3.90%	32,322	2,047,289	–	–	2,079,611	1,994,422
Other liabilities	–	–	–	67,304	–	67,304	67,304
		10,589,692	7,643,613	941,509	–	19,174,814	18,762,714
Derivative financial liabilities							
Foreign currency forward contracts	–	–	6,009	–	–	6,009	6,009
Foreign currency options contracts	–	–	4,975	–	–	4,975	4,975
		–	10,984	–	–	10,984	10,984
		10,589,692	7,654,597	941,509	–	19,185,798	18,773,698

44. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets 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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	December 31, 2019 ***RMB'000***	December 31, 2018 *RMB'000*		
Financial assets at FVTPL	**Fund instruments: RMB1,000**	Fund instruments: RMB110,000	Level 2	Determined based on the fair value of underlying investments which are quoted in active markets
Financial assets at FVTPL	**Listed securities: RMB5,579**	Listed securities: RMB9,570	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL	**Unquoted equity instruments: RMB333,963**	Unquoted equity instruments: RMB284,062	Level 3	Most recent transaction price
Equity investments at FVTOCI	**Listed securities: RMB10,658**	Listed securities: RMB9,327	Level 1	Quoted bid prices in an active market

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL *RMB'000*
At January 1, 2019	284,062
Total gains – in profit or loss	26,160
Purchases	39,000
Disposal	(15,259)
At December 31, 2019	333,963

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000 (Note34)	Super short-term commercial papers RMB'000 (Note35)	Corporate bonds RMB'000 (Note36)	Lease liabilities RMB'000 (Note37)	Dividend payable RMB'000	Accrued interest RMB'000 (Note29)	Advance from non-controlling interests RMB'000 (Note29)	Amounts due to related parties non-trade RMB'000 (Note47)	Advance from former shareholders of acquired subsidiaries RMB'000	Total RMB'000
At January 1, 2018	7,012,843	2,598,926	1,992,394	–	–	115,915	106,111	–	35,627	11,861,816
Financing cash flows	3,012,070	(1,304,389)	–	–	(597,278)	(727,649)	(15,627)	2,760	(35,627)	334,260
Non-cash changes in finance costs	–	4,128	2,028	–	–	675,136	–	–	–	681,292
Interest capitalized	–	–	–	–	–	2,221	–	–	–	2,221
Net foreign exchange gain	(10,984)	–	–	–	–	–	–	–	–	(10,984)
Dividends recognized as distributions and paid to non-controlling interests	–	–	–	–	597,278	–	–	–	–	597,278
Addition due to acquisition of subsidiaries	82,000	–	–	–	–	–	–	–	–	82,000
At December 31, 2018	10,095,929	1,298,665	1,994,422	–	–	65,623	90,484	2,760	–	13,547,883

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Borrowings RMB'000 (Note34)	Super short-term commercial papers RMB'000 (Note35)	Corporate bonds RMB'000 (Note36)	Lease liabilities RMB'000 (Note37)	Dividend payable RMB'000	Accrued interest RMB'000 (Note29)	Advance from non-controlling interests RMB'000 (Note29)	Amounts due to related parties non-trade RMB'000 (Note47)	Advance from former shareholders of acquired subsidiaries RMB'000	Total RMB'000
Adjustment upon application of IFRS16	-	-	-	1,606,056	-	-	-	-	-	1,606,056
At January 1, 2019 (restated)	10,095,929	1,298,665	1,994,422	1,606,056	-	65,623	90,484	2,760	-	15,153,939
Financing cash flows	2,862,170	(1,300,375)	(2,000,000)	(255,905)	(470,793)	(691,813)	(6,582)	(1,236)	-	(1,864,534)
Non-cash changes in finance costs	-	1,710	5,578	102,856	-	668,004	-	-	-	778,148
Interest capitalized	-	-	-	-	-	4,306	-	-	-	4,306
Net foreign exchange gain	(106,116)	-	-	-	-	-	-	-	-	(106,116)
Addition due to acquisition of subsidiaries	-	-	-	160,231	-	-	-	-	-	160,231
New leases entered	-	-	-	220,132	-	-	-	-	-	220,132
Dividends recognized as distributions and paid to non-controlling interests	-	-	-	-	472,770	-	-	-	-	472,770
At December 31, 2019	12,851,983	-	-	1,833,370	1,977	46,120	83,902	1,524	-	14,818,876

46. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The total costs charged to the consolidated statement of profit or loss and comprehensive income of RMB141,816,000 for the year ended December 31, 2019 (2018: RMB140,706,000) represent contributions payable to the scheme by the Group for the year.

47. RELATED PARTY DISCLOSURES

I. Amounts due from related parties/a related party

	2019 RMB'000	2018 RMB'000
Current		
Associates held by the Group		
Shenbei Lexus	7,510	–
Shanghai Oriental Yongda	2,835	–
Sichuan Yongzhida	3	–
Joint ventures held by the Group		
Harbin Yongda	102,373	116,742
Ryde 88 Pty Limited *(note c)*	38,927	–
Shanghai Bashi Yongda	190	1,253
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited	142	–
Shanghai Yongda Greening Co., Ltd.	153	–
Shanghai Yongda Food & Leisure Co., Ltd.	1	–
	152,134	117,995
Analyzed as:		
Trade-related *(note a)*	10,942	22,588
Non trade-related *(note b)*	141,192	95,407
	152,134	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.

c. 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 year ended December 31, 2019, the Group extended the maturity of principle and interests by 1 year.

47. RELATED PARTY DISCLOSURES (continued)

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

	2019 RMB'000	2018 RMB'000
Non-current		
Joint venture held by the Group		
Ryde 88 Pty Limited	–	35,471

II. Amounts due to related parties

	2019 RMB'000	2018 RMB'000
Joint venture held by the Group		
Shanghai Bashi Yongda	138	3,302
Shanghai Yongda Changrong	636	741
Harbin Yongda	20	–
Associates held by the Group		
Sichuan Yongzhida	2,008	–
Shanghai Oriental Yongda	4	70
Entity controlled by the shareholders		
Shanghai Yongda Group Company Limited	3	–
	2,809	4,113
Analyzed as:		
Trade-related *(note a)*	1,285	1,353
Non trade-related *(note b)*	1,524	2,760
	2,809	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 repayable on demand.

47. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions

	2019 RMB'000	2018 RMB'000
a) Sales of motor vehicles		
Shanghai Bashi Yongda	**15,135**	181,598
Jiajia Yongda Automobile Sales Co. Ltd.	**2,296**	5,686
	17,431	187,284

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 RMB1,154,486,000 and RMB1,052,137,000 for the years ended December 31, 2019 and 2018, respectively. A commission of approximately RMB10,633,000 and RMB9,023,000 was paid to Shanghai Oriental Yongda for the marketing and promotion activities it carried out for the Group for the years ended December 31, 2019 and 2018, respectively.

	2019 RMB'000	2018 RMB'000
b) Purchase of motor vehicles		
Shanghai Bashi Yongda	**56,294**	211,251
Shanghai Yongda Changrong	**5,640**	6,620
	61,934	217,871
c) Purchase of property, plant and equipment		
Harbin Yongda	**–**	9,245
d) Sales of spare parts		
Shanghai Yongda Changrong	**497**	557
Shanghai Bashi Yongda	**–**	16
Sichuan Yongzhida	**–**	1
	497	574
e) Interest income from		
Ryde 88 Pty Limited *(Note 6)*	**3,456**	3,437

47. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

Sales of motor vehicles via Shanghai Oriental Yongda (continued)

	2019 *RMB'000*	2018 *RMB'000*
f) Rental expenses paid to		
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd., and Shanghai Yongda Property Development Co., Ltd. *(note)*	**33,389**	33,552
Associate held by the Group		
Shanghai Yongda Fengdu Automobile	**3,904**	3,800
Joint venture held by the Group		
Harbin Yongda International Automobile Plaza	**2,000**	–
	39,293	37,352

Note: The related party transaction constitutes continuing connected transaction for the Company within the meaning of the Listing Rules, the details of which are disclosed in the section headed "Connected and Continuing Connected Transactions" in this annual report.

	2019 *RMB'000*	2018 *RMB'000*
g) Compensation of key management personnel		
Short-term benefits	**12,725**	12,666
Post-employment benefits	**569**	535
Share-based payments	**4,552**	4,305
	17,846	17,506

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

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at December 31, 2019 is as follows:

	NOTE	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		49,746	–
Unlisted investment in a subsidiary and amounts due from subsidiaries		3,998,609	623,319
		4,048,355	623,319
Current assets			
Other receivables		3,688	5,824
Bank balances and cash		49,998	28,396
Restricted bank balances		114,890	–
Amounts due from subsidiaries		1,140,408	2,370,749
		1,308,984	2,404,969
Current liabilities			
Other payables		20,682	1,947
Borrowings		848,663	867,524
Derivative financial liabilities		12,606	–
Amounts due to subsidiaries		2,919	2,919
		884,870	872,390
Net current assets		424,114	1,532,579
Total assets less current liabilities		4,472,469	2,155,898
Non-current liabilities			
Borrowings		2,691,876	–
Derivative financial liabilities		102,739	–
Total non-current liabilities		2,794,615	–
Net assets		1,677,854	2,155,898
Capital and reserves			
Share capital		15,080	15,063
Reserves	(a)	1,662,774	2,140,835
Total equity		1,677,854	2,155,898

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The statement of financial position of the Company as at December 31, 2019 is as follows: (continued)

Note (a):

	Share premium	Share-based payments reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018	2,742,824	91,565	(148,442)	2,685,947
Loss for the year	–	–	(52,747)	(52,747)
Exercise of share options	11,243	–	–	11,243
Recognition of equity-settled share-based payments	–	16,817	–	16,817
Dividends recognized as distributions	(520,425)	–	–	(520,425)
At December 31, 2018	2,233,642	108,382	(201,189)	2,140,835
Loss for the year	–	–	(93,377)	(93,377)
Exercise of share options	6,301	–	–	6,301
Recognition of equity-settled share-based payments	–	22,732	–	22,732
Dividends recognized as distributions	(413,717)	–	–	(413,717)
At December 31, 2019	1,826,226	131,114	(294,566)	1,662,774

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows:

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31, 2019 %	2018 %	Principal activities @
Directly held:						
Sea of Wealth International Investment Company Limited ("Sea of Wealth") 富海國際投資有限公司	The British Virgin Islands	November 15, 2011	1 share of US$1.00 each	100	100	Investment holding
Indirectly held:						
Grouprich International Investment Holdings Limited ("Grouprich International") 香港匯富國際投資集團有限公司	Hong Kong	September 10, 2004	1,000,000 shares of HK$1.00 each	100	100	Investment holding
Shanghai Yongda Investment Holdings Group Co., Ltd. *(note 3)* 上海永達投資控股集團有限公司 (formerly known as Shanghai Yongda Investment Co., Ltd. 上海永達投資有限公司)	PRC	September 25, 2003	RMB2,320,000,000	100	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. *(note 2)* 上海永達汽車集團有限公司 (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司)	PRC	September 15, 2003	RMB1,893,204,250	100	100	Investment holding
Shanghai Yongda Automobile Leasing Co., Ltd. *(note 3)* 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB150,000,000	100	100	Automobile rental services
Shanghai Baozen Automobile Sales and Services Co., Ltd. *(note 3)* 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB80,000,000	100	100	4S dealership

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31, 2019 %	2018 %	Principal activities @
Indirectly held: (continued)						
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. *(note 3)* 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB50,000,000	100	100	4S dealership
Taiyuan Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	88	88	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB30,000,000	100	100	4S dealership
Wuxi Yicheng Automobile Sales and Services Co., Ltd. *(note 4)* 無錫翼誠汽車銷售服務有限公司	PRC	October 13, 2011	RMB30,000,000	100	100	4S dealership
Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. *(note 4)* ("Wuxi Yongda Oriental") 無錫永達東方汽車銷售服務有限公司	PRC	April 15, 2011	RMB50,000,000	70	70	4S dealership
Shanghai Yongda Infiniti Automobile Sales and Services Co., Ltd. *(note 4)* 上海永達英菲尼迪汽車銷售服務有限公司	PRC	September 18, 2006	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. *(note 4)* 上海永達英菲尼迪七寶汽車銷售服務有限公司	PRC	August 14, 2009	RMB25,000,000	100	100	4S dealership
Guangzhou Yongda Automobile Rental Co., Ltd. *(note 4)* ("Guangzhou Yongda Automobile Rental") 廣州永達汽車租賃有限公司	PRC	July 6, 2012	RMB30,000,000	100	100	Automobile rental services

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2019 %	2018 %	
Indirectly held: (continued)						
Yongsheng Finance Leasing Co., Ltd 永昇融資租賃有限公司 *(note 2)*	PRC	August 22, 2014	RMB133,875,000	100	100	Finance leasing services
Shanghai Yongda Finance Leasing Co., Ltd. *(note 2)* 上海永達融資租賃有限公司	PRC	March 29, 2013	RMB500,000,000	100	100	Finance leasing services
Linyi Yubaohang Automobile Sales and Services Co., Ltd. *(note 4)* 臨沂宇寶行汽車銷售服務有限公司	PRC	October 26, 2006	RMB30,000,000	100	100	4S dealership
Lishui Jiacheng Automobile Sales and Services Co., Ltd. *(note 3)* 麗水市嘉誠汽車銷售有限公司	PRC	May 17, 2010	RMB80,000,000	100	100	4S dealership
Jiangyin Leichi Automobile Sales and Services Co., Ltd. *(note 4)* 江陰雷馳汽車銷售服務有限公司	PRC	August 23, 2010	RMB35,000,000	88	88	4S dealership
Yancheng Yuebao Trading Co., Ltd. 鹽城悅寶貿易有限公司 *(note 4)*	PRC	October 31, 2015	RMB20,396,500	100	100	Not yet commenced business
Haerbin Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 哈爾濱寶誠汽車銷售服務有限公司	PRC	March 7, 2015	RMB30,000,000	100	100	4S dealership
Tianjin Zhongshun Jinbao Automobile Sales and Services Co., Ltd. *(note 3)* 天津市中順津寶汽車服務有限公司	PRC	March 31, 2015	RMB45,000,000	100	100	4S dealership

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31, 2019 %	2018 %	Principal activities @
Indirectly held: (continued)						
Wuxi Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 無錫寶尊汽車銷售服務有限公司	PRC	August 31, 2015	RMB20,000,000	**100**	100	4S dealership
Guangdong Yongda South Investing Co., Ltd. *(note 4)* 廣東永達南方投資有限公司	PRC	June 09, 2014	RMB266,000,000	**70**	70	Investment holding
Taixing Yongda Zhongcheng Automobile Sales and Services Co., Ltd. *(note 4)* 泰興永達眾誠汽車銷售服務有限公司	PRC	February 28, 2015	RMB20,000,000	**100**	100	4S dealership
Shengzhou Yongda Bencheng Automobile Sales and Services Co., Ltd. *(note 4)* 嵊州市永達本誠汽車銷售服務有限公司	PRC	June 30, 2015	RMB43,300,000	**100**	100	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. *(note 4)* 南通東方永達佳晨汽車銷售服務有限公司	PRC	November 16, 2011	RMB40,000,000	**60**	60	4S dealership
Shanghai Yongda Shenjie Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達申傑汽車銷售服務有限公司	PRC	March 3, 2011	RMB30,000,000	**100**	100	4S dealership
Shanghai Yongda Jiawo Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達嘉沃汽車銷售服務有限公司	PRC	March 1, 2011	RMB30,000,000	**100**	100	4S dealership

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31, 2019 %	2018 %	Principal activities @
Indirectly held: (continued)						
Rui'an Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 3)* 瑞安市永達路捷汽車銷售服務有限公司	PRC	March 5, 2014	RMB42,000,000	100	100	4S dealership
Kunshan Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 4)* 昆山永達路捷汽車銷售服務有限公司	PRC	March 15, 2014	RMB40,000,000	100	100	4S dealership
Changshu Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 4)* 常熟永達路捷汽車銷售服務有限公司	PRC	June 8, 2014	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Hongjie Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達弘傑汽車銷售服務有限公司	PRC	July 5, 2011	RMB60,000,000	100	100	4S dealership
Shanghai Yongda Qiming Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達啟明汽車銷售服務有限公司	PRC	January 27, 2015	RMB22,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. ("Wuxi Baozen") *(note 4)* 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB100,000,000	88	88	4S dealership
Jiangsu Baozun Investment Group Co., Ltd. *(note 3)* 江蘇寶尊投資集團有限公司	PRC	April 25, 2011	RMB589,910,000	100	100	Investment holding
Changzhou Baozun Automobile Sales and Services Co., Ltd. *(note 4)* 常州寶尊汽車銷售服務有限公司	PRC	May 11, 2006	RMB22,220,000	100	100	4S dealership

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2019	2018	
				%	%	
Indirectly held: (continued)						
Changzhou Xin Baozun Automobile Sales and Services Co., Ltd. *(note 4)* 常州新寶尊汽車銷售服務有限公司	PRC	October 29, 2009	RMB10,000,000	100	100	4S dealership
Changzhou Kaidi Automobile Sales and Services Co., Ltd. *(note 4)* 常州凱帝汽車銷售服務有限公司	PRC	August 29, 2012	RMB10,000,000	100	100	4S dealership
Changzhou Changtong Auto sales and Service Co., Ltd. *(note 4)* 常州常通汽車銷售服務有限公司	PRC	January 9, 2003	RMB23,000,000	100	100	4S dealership
Changzhou Zunyue Automobile Sales and Services Co., Ltd. *(note 4)* 常州尊越汽車銷售服務有限公司	PRC	June 25, 2007	RMB10,000,000	100	100	4S dealership
Yulin Ruibao Automobile Sales Service Co. Ltd. *(note 3)* 榆林睿寶行汽車銷售服務有限公司	PRC	June 25, 2007	RMB25,000,000	100	100	4S dealership
Dezhou Shengbao Automobile Sales Service Co. Ltd. *(note 4)* 德州聖寶汽車銷售服務有限公司	PRC	October 17, 2013	RMB99,890,000	100	100	4S dealership
Weifang Shengbao Automobile Sales Service Co. Ltd. *(note 3)* 濰坊聖寶汽車銷售服務有限公司	PRC	October 10, 2013	RMB20,000,000	100	100	4S dealership
Zibo Shengbao Automobile Sales Service Co. Ltd. *(note 4)* 淄博聖寶汽車銷售服務有限公司	PRC	October 18, 2013	RMB10,000,000	100	100	4S dealership

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2019 %	2018 %	
Indirectly held: (continued)						
Dongying Yibaoxuan Automobile Sales Service Co. Ltd. *(note 4)* 東營宜寶軒汽車銷售服務有限公司	PRC	March 1, 2011	RMB10,000,000	100	100	4S dealership
Yulin Baitai Automobile Sales and Services Co., Ltd. *(note 3)* 榆林百泰汽車銷售服務有限公司	PRC	May 24, 2012	RMB52,000,000	100	100	4S dealership
Fujian Quanzhou Baitai Automobile Sales and Services Co., Ltd. *(note 3)* 福建省泉州百泰汽車銷售服務有限公司	PRC	March 23, 2011	RMB50,000,000	100	100	4S dealership
Fujian Baitai Automobile Sales and Services Co., Ltd. *(note 4)* 福建百泰汽車銷售服務有限公司	PRC	December 19, 2013	RMB95,000,000	100	100	4S dealership
Yulin Chengtai Automobile Sales Service Co., Ltd. *(note 3)* 榆林誠泰汽車銷售服務有限公司	PRC	August 21, 2013	RMB25,000,000	100	100	4S dealership
Fuqing Dachangjiang Runtong auto sales Services Ltd. *(note 4)* 福清大長江潤通汽車銷售服務有限公司	PRC	December 10, 2013	RMB30,000,000	100	100	4S dealership
Haina Automobile Insurance Sales Co., Ltd. *(note 4)* 海納汽車保險銷售有限公司	PRC	May 4, 2012	RMB50,000,000	100	100	Insurance services
Weifang Yongda Investment management Ltd. *(note 3)* 濰坊永達投資管理有限公司	PRC	May 4, 2012	RMB13,580,595	100	100	Investment management

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2019 %	2018 %	
Indirectly held: (continued)						
Fuzhou Tianchu Machinery Co., Ltd. *(note 4)* 福州天楚機械有限公司	PRC	August 13, 1998	RMB13,500,000	100	100	Machine tools trading
Nanchong Yongda Lujie Automobile Sales Service Co., Ltd. *(note 4)* 南充永達路捷汽車銷售服務有限公司	PRC	April 3, 2014	RMB64,500,000	100	100	4S dealership
Chengdu Xin Jin Feng Automobile Sales and Services Co., Ltd. *(note 4)* 成都新錦豐汽車銷售服務有限責任公司	PRC	February 22, 2013	RMB62,300,000	100	100	4S dealership
Mianyang Xinjincheng Automobile Sales and Services Co., Ltd. *(note 4)* 綿陽新錦程汽車銷售服務有限責任公司	PRC	May 23, 2014	RMB81,000,000	100	100	4S dealership
Nanchong Xinshuangli Automobile Sales Service Co. Ltd. *(note 4)* 南充新雙立汽車銷售服務有限責任公司	PRC	April 4, 2014	RMB26,700,000	100	100	4S dealership
Jiangyin Shengda Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達汽車銷售服務有限公司	PRC	April 25, 2001	RMB10,000,000	100	100	4S dealership
Jiangyin Shengda Toyota Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達豐田汽車銷售服務有限公司	PRC	October 27, 1999	RMB20,000,000	100	100	4S dealership
Jiangyin Shengda Yintian Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達穎田汽車有限公司	PRC	November 16, 2005	RMB10,000,000	100	100	4S dealership

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2019 %	2018 %	
Indirectly held: (continued)						
Jiangyin Yinda Automobile Sales Service Co. Ltd. *(note 4)* 江陰市穎達汽車銷售有限公司	PRC	May 15, 2007	RMB12,100,000	100	100	4S dealership
Jiangyin Shengda Jiayin Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達佳穎汽車銷售有限公司	PRC	September 5, 2007	RMB5,000,000	100	100	4S dealership
Jiangyin Shengsheng Automobile Sales Service Co. Ltd. *(note 4)* 江陰盛升汽車有限公司	PRC	August 4, 2009	RMB15,000,000	100	100	4S dealership
Shanghai Yuexing Automobile Co., Ltd. *(notes 1, 3)* 上海越星汽車有限公司	PRC	July 25, 2013	RMB30,000,000	100	–	4S dealership
Shanghai Dezhilin Automobile Co., Ltd. *(notes 1, 3)* 上海德之林汽車有限公司	PRC	July 25, 2013	RMB80,000,000	100	–	4S dealership
Inchcape Asia Pacific Limited. *(note 1)* 英之傑亞洲太平洋有限公司	Hong Kong	November 12, 2003	RMB677,262,694	100	–	Investment holding
Inchcape Investment (China) Co., Ltd. *(notes 1, 3)* 英之傑投資(中國)有限公司	PRC	March 1, 2013	RMB480,610,806	100	–	Investment holding
Shanghai Beiershi Automobile Sales Service Co., Ltd. *(notes 1, 3)* 上海貝兒石汽車銷售服務有限公司	PRC	November 13, 2014	RMB6,124,800	100	–	4S dealership

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2019 and 2018 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2019	2018	
				%	%	
Indirectly held: (continued)						
Shanghai Hongshi Information Consulting Co., Ltd. *(notes 1, 3)* 上海宏實信息諮詢有限公司	PRC	October 16, 2007	RMB47,075,500	100	–	Information consultancy
Nanchang Yongda Yongcheng Automobile Sales Service Co., Ltd. *(notes 1, 3)* 南昌永達永誠汽車銷售服務有限公司	PRC	November 9, 2017	RMB2,100,000	100	–	4S dealership
Jiujiang Inchcape Jiuxing Automobile Sales Service Co., Ltd. *(notes 1, 3)* 九江英之傑九星汽車銷售服務有限公司	PRC	October 25, 2017	RMB80,164,740	100	–	4S dealership
Shaoxing Yongda Lexus Automobile Sales Service Co., Ltd. *(notes 1, 3)* 紹興永達雷克薩斯汽車銷售服務有限公司	PRC	February 28, 2007	RMB112,438,960	100	–	4S dealership
Nanchang Yongda Automobile Sales Service Co., Ltd. *(notes 1, 3)* 南昌永達汽車銷售服務有限公司	PRC	June 1, 2011	RMB65,366,600	100	–	4S dealership

\# Except for Sea of Wealth and Grouprich International which are limited liability companies, all subsidiaries are domestic limited liability enterprises.

^ The English names of all subsidiaries established in the PRC are translated for identification purpose only.

@ 4S dealership represents an automobile dealership authorized by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, services and survey.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Notes:

1. These companies were newly acquired in 2019. Details are set out in Note 39.
2. This Company is a sino-foreign equity joint venture (including Hong Kong,Taiwan and Macao).
3. This Company is a wholly-foreign owned enterprise (including Hong Kong,Taiwan and Macao).
4. This Company is a wholly-domestic owned enterprise.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

50. SUBSEQUENT EVENT

2019 Novel Coronavirus impact

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in the PRC and the subsequent mandatory quarantine measures imposed by the PRC government have impact on the business and operations of the Group as majority of the Group's operations are located in the PRC. As required by the local government offices in which the Group's operate, entities including the Group were not allowed to resume operations until mid-February 2020 in an effort to contain the spread of the epidemic. As at the date of the approval of these consolidated financial statements, COVID-19 has not resulted in material impact to the Group. Pending on the further development and spread of COVID-19, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. However, the extent of which could not be estimated as of the date of the approval of these consolidated financial statements.

Financial Summary

For the year ended December 31, 2019

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended December 31,				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**62,707,380**	55,318,486	50,699,302	43,032,502	35,657,593
Profit before tax	**2,075,782**	1,752,561	2,007,500	1,152,003	776,535
Income tax expense	**(506,728)**	(427,525)	(405,712)	(244,227)	(209,201)
Profit for the year	**1,569,054**	1,325,036	1,601,788	907,776	567,334
Other comprehensive income	**1,331**	(15,161)	5,789	–	–
Total comprehensive income for the year	**1,570,385**	1,309,875	1,607,577	907,776	567,334
Profit for the year attributable to:					
Owners of the Company	**1,472,984**	1,253,099	1,509,930	851,272	524,468
Non-controlling interests	**96,070**	71,937	91,858	56,504	42,866
	1,569,054	1,325,036	1,601,788	907,776	567,334
Total comprehensive income for the year attributable to:					
Owners of the Company	**1,474,315**	1,237,938	1,515,719	851,272	524,468
Non-controlling interests	**96,070**	71,937	91,858	56,504	42,866
	1,570,385	1,309,875	1,607,577	907,776	567,334
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**35,474,817**	31,015,663	27,926,788	20,375,125	17,207,264
TOTAL LIABILITIES	**(25,022,220)**	(21,495,676)	(19,145,354)	(14,972,192)	(12,606,829)
NON-CONTROLLING INTERESTS	**(571,057)**	(532,074)	(493,123)	(441,174)	(363,240)
	9,881,540	8,987,913	8,288,311	4,961,759	4,237,195