



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

A large, circular collage of images. The top left shows a Porsche dealership building. The top right shows a tall, modern glass skyscraper with the Chinese characters "永达" (Yongda) on top. The middle left shows a BMW dealership building. The middle right shows an Audi dealership building. The bottom left shows a city skyline at sunset. The bottom right shows a red sports car, likely a Porsche, with a license plate that reads "YONDA YONGDA AUTO".

INTERIM REPORT  
**2020**



PORSCHE



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# 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  
Registered Public Interest Entity Auditors  
35/F One Pacific Place  
88 Queensway  
Hong Kong

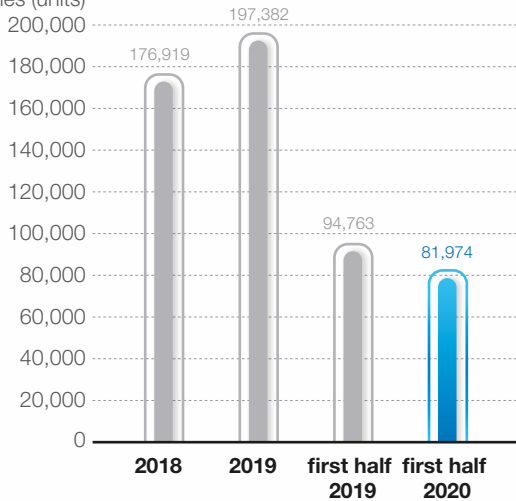
## COMPANY WEBSITE

[www.ydauto.com.cn](http://www.ydauto.com.cn)

# Financial Highlights

## Passenger vehicles sales volume

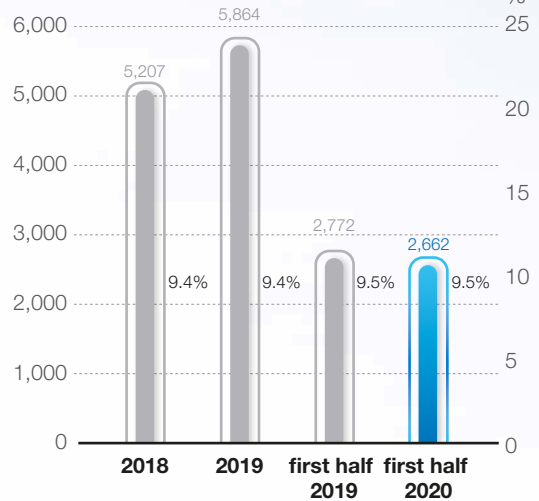
Sales volume of passenger vehicles (units)



## Gross profit and gross profit margin

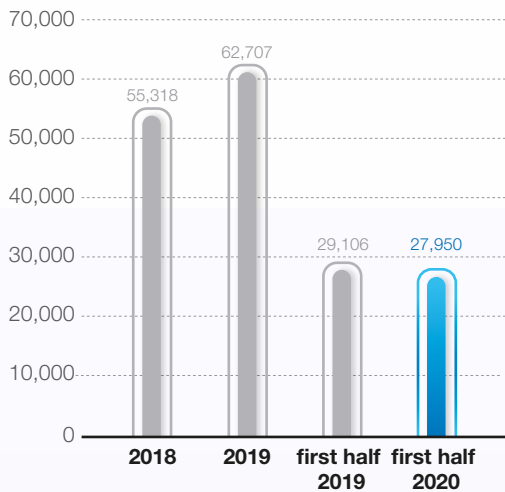
RMB million

%



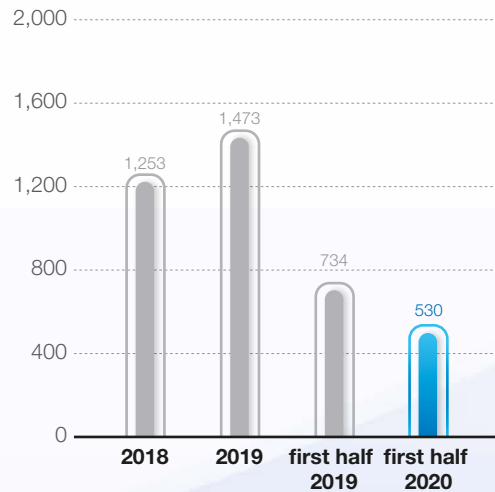
## Revenue

RMB million



## Profit attributable to owners of the Company

RMB million



# Chairman's Statement



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the Interim Report for the first half of 2020 of the Company and its subsidiaries (collectively referred to as the "Group", "we" or "us").

In the first half of 2020, the novel coronavirus epidemic had significant impact on the Chinese economy. According to the data from the China Association of Automobile Manufacturers (中國汽車工業協會), affected by the epidemic, the sales volume of passenger vehicles was 7.873 million units in general in the first half of 2020, representing a period-on-period decrease of 22.4%. With the success in epidemic prevention and control, there was a rapid recovery in the automobile market in the second quarter of 2020; according to the data of domestic insurance and license, in the second quarter of 2020, sales of new vehicles of luxury brands grew 11.3% over the same period in 2019, and all main luxury brands including BMW and Audi recorded rapid growth.

Due to the impact of novel coronavirus epidemic, the comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services of the Group in the first half of 2020 amounted to RMB28,425 million and RMB3,137 million respectively, representing a decrease of 4.1% and 4.9% respectively compared with the first half of 2019, and our net profit and net profit attributable to owners of the Company amounted to RMB572 million and RMB530 million respectively, representing a decrease of 26.9% and 27.8% respectively compared with the first half of 2019.

## Chairman's Statement

Nevertheless, we are glad that the Group's businesses have gradually recovered since March 2020. In the second quarter of 2020, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services amounted to RMB17,948 million and RMB1,986 million respectively, representing an increase of 14.4% and 15.5% respectively compared with the second quarter of 2019, and our net profit and net profit attributable to owners of the Company amounted to RMB509 million and RMB471 million respectively, representing an increase of 21.7% and 21.3% respectively compared with the second quarter of 2019. All business indicators showed a notable trend of recovery and growth.

### KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD

1. In the first half of 2020, our sales volume of new vehicles was 81,974 units, decreased by 13.5% over the same period in 2019; our sales revenue from new vehicles reached RMB23,581 million, representing a decrease of 3.7% compared with the same period of 2019.

However, in the second quarter of 2020 when business operations gradually recovered, our sales revenue from new vehicles reached RMB14,915 million, representing an increase of 14.5% compared with the same period of 2019; and our sales volume of new vehicles of luxury brands increased by 8.0% over the same period in 2019 to 37,372 units, the revenue from new vehicles of luxury brands amounted to RMB12,770 million, representing an increase of 17.5% compared with the same period of 2019.

In the first half of 2020, the gross profit margin of our new vehicle sales was 2.64%, which was a relatively significant increase compared with 2.39% for the same period of 2019.

2. In the first half of 2020, revenue from our after-sales services including maintenance services and automobile extended products and services, was RMB3,962 million, a decrease of 6.7% over the same period in 2019.

However, revenue from our after-sales services reached RMB2,545 million in the second quarter, an increase of 15.4% over the same period last year.

In the first half of 2020, the gross profit margin of our after-sales service was 46.05%, which was basically the same as in the same period of 2019.

## Chairman's Statement

3. In the first half of 2020, the sales volume of pre-owned vehicles for which we acted as an agent was 19,256 units, representing a period-on-period decrease of 2.7%. The gross profit of pre-owned vehicles was RMB67.68 million, representing a period-on-period increase of 0.2%.

However, in the second quarter, we achieved continuous improvement in business scale and profit through lean management. The transaction scale of pre-owned vehicles was 13,200 units, representing a period-on-period increase of 6.8%. The gross profit of pre-owned vehicles was RMB45.54 million, representing a period-on-period increase of 28.8%.

4. In the first half of 2020, we continued to promote strategic adjustment in relation to the financial business. Under the premise of ensuring the safe and stable operation of existing interest-earning assets, we strategically slowed down the development speed of proprietary finance, as well as integrated resources and actively innovated, so as to vigorously improve the agency financial business level.
5. In the first half of 2020, we have added 8 new passenger vehicles sales and service outlets focusing on luxury and ultra-luxury brands, including 1 Porsche 4S dealership, 3 BMW 4S dealerships (including 1 acquisition), 1 Lexus 4S dealership, 1 Aston Martin 4S dealership.
6. The Group has always kept pace with the times, vigorously promoted the construction of Digital Yongda, enhanced the scientific management of inventories, actively engaged youth talents in order to improve the Group's comprehensive competitiveness.



# Chairman's Statement

## **FUTURE PROSPECTS**

The Group believes that, the demand for consumption upgrade of luxury brand automobiles will be long-term and rigid, and the industry policy to promote vehicle consumption upgrade in China is favorable in the long-run.

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; meanwhile, we will focus on improving the quality of existing network assets;
2. We will take the construction of Digital Yongda as one of the key long-term tasks of the Group, improve the in-house scientific management, decision-making level and strengthen the connection with external customers;
4. We will constantly improve the operating efficiency and focus on enhancement of inventory turnover speed and promotion of after-sales service absorption rate;
5. We will strictly implement corporate governance, and take high growth as one of the strategic objectives of long-term management of the corporate, and take customer retention and value management as one of strategic task for achieving the Group' long-term development;
6. We will enhance the team construction, actively engage young management. We will insist on transformation and innovation, and promote the sustainable development of the Company.

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

**CHEUNG Tak On**  
*Chairman*

August 25, 2020

# Management Discussion & Analysis

## MARKET REVIEW

In early 2020, the nationwide spread of novel coronavirus has had huge impact on economy and people's daily life. According to the data from China Association of Automobile Manufacturers, affected by the epidemic, the overall sales volume of passenger vehicles was 7.873 million units in the first half of 2020, representing a decrease of 22.4% over the same period in 2019. However, the sales of luxury brands performed significantly better than the overall market. The sales volume of new vehicles of luxury brands in the first half of 2020 achieved 1.48 million units, representing a decrease of only 4.0% over the same period in 2019. As China adopted active measures in response to the epidemic and achieved remarkable results, the national economy has shown a trend of stable recovery. The growth rate of GDP in the second quarter was 3.2% faster compared to the same period in 2019, representing a transfer from negative to positive of the period-on-period growth rate. Similarly, the automobile market showed a rapid recovery in the second quarter, and the sales volume in the industry as a whole recorded positive growth for three consecutive months in the second quarter. According to the data of domestic insurance and license, sales of new vehicles of luxury brands grew 11.3% over the same period in 2019 in the second quarter, and all main luxury brands recorded rapid growth, among which, sales of new vehicles of BMW, Audi and Mercedes-Benz brands grew 12.6%, 14.3% and 18.9% compared to the same period in 2019, respectively.



## Management Discussion & Analysis

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 5.52 million units in the first half of 2020, representing a decrease of 19.6% compared to the same period in 2019. In April this year, the Ministry of Finance of the PRC and State Taxation Administration announced that the rate of value-added tax for pre-owned vehicles shall be reduced to 0.5% from 2% since May 1 this year, the tax reduction shall have positive effect on the regulation and development of pre-owned vehicles market. It is believed that with the further lifting of restricted relocation policy of pre-owned vehicles and the improving pre-owned vehicles business model, the pre-owned vehicles trade market in the PRC still has relatively large room of development in the future.

In the first half of 2020, local governments successively introduced various supporting policies encouraging automobiles consumption, which particularly boosted the sales volume of luxury brands automobiles to a certain extent. We believe that the upgrading automobile consumption demand, extending product lines of luxury brands and diversified automobile finance products in the PRC will be the drivers for supporting the long-term growth of luxury brands automobiles in the future. It is expected that the main luxury brands automobiles will maintain good momentum of growth in 2020.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the PRC (中國公安部交通管理局), as at the end of June 2020, the motor vehicle ownership in China reached 360 million units, of which 270 million are automobiles, and in terms of cities, the number of cities where the motor vehicle ownership exceeded 1 million units was 69 in total, an increase of 3 cities compared with the same period last year. Of which, there were 31 cities where the motor vehicle ownership exceeded 2 million units and 12 cities where the motor vehicle ownership exceeded 3 million units. In the future, the automobile consumption market in the PRC will show a differentiated development trend. For developed regions and cities with high ownership, there will form a strong demand for automobile consumption upgrades, a huge after-sales base and a booming pre-owned vehicle trading market; and for developing mid- and low-tier cities, it will experience the development process of continuous growth and expanding ownership.

## Management Discussion & Analysis



### **BUSINESS REVIEW**

Due to the impact of novel coronavirus epidemic in the first quarter of 2020, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services amounted to RMB28,425 million and RMB3,137 million respectively, in the first half of 2020, representing a decrease of 4.1% and 4.9% respectively compared with the first half of 2019, and our net profit and net profit attributable to owners of the Company amounted to RMB572 million and RMB530 million respectively, representing a decrease of 26.9% and 27.8% respectively compared with the first half of 2019.

Nevertheless, the Group's businesses have gradually recovered since March 2020. In the second quarter of 2020, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services amounted to RMB17,948 million and RMB1,986 million respectively, representing an increase of 14.4% and 15.5% respectively compared with the second quarter of 2019, and our net profit and net profit attributable to owners of the Company amounted to RMB509 million and RMB471 million respectively, representing a rapid increase of 21.7% and 21.3% respectively compared with the second quarter of 2019. Set forth below is a summary of our business development in the first half of 2020:

#### **Continuous Growth in New Vehicle Sales Business**

In the first half of 2020, our sales volume of new vehicles was 81,974 units, decreased by 13.5% over the same period in 2019. In the second quarter when business operations gradually recovered, our sales volume of new vehicles of luxury brands increased by 8.0% over the same period in 2019 to 37,372 units. Various luxury

## Management Discussion & Analysis

brands which we are authorized by manufacturers achieved rapid recovery and improvement in the later stages of the epidemic. Among them, the sales volume of the BMW and Porsche brands increased by 15.2% and 7.8% respectively over the same period in 2019, and sales performance achieved faster growth compared to that of the same period in the overall market. With the gradual recovery of the domestic luxury brand consumption market, our sales scale will also be further expanded.

In the first half of 2020, our sales revenue from new vehicles reached RMB23,581 million, representing a decrease of 3.7% compared with the same period of 2019, of which sales revenue from new vehicles in the second quarter was RMB14,915 million, representing an increase of 14.5% over the same period in 2019. Under the situation where sales volume of new vehicles was affected by the epidemic, we continued to optimize the brand portfolio structure and further utilized the market advantages of luxury brands. As a result, the sales revenue from new vehicles increased against the trend of the market. In the second quarter, the sales revenue from luxury brand new vehicles increased by 17.5% to RMB12,770 million compared to the same period of 2019. In the first half of 2020, the proportion of sales revenue from new vehicles of luxury brands of the overall sales revenue of new vehicles has further increased to 86.1%.

In the first half of 2020, the gross profit margin of our new vehicle sales was 2.64%, which was a relatively significant increase compared with 2.39% for the same period of 2019. Meanwhile, we further strengthened the management and improvement of the extended businesses. We, by establishing an assessment and appraisal system with comprehensive gross profit of sales as the core, conducted benchmarking management of same brand and different brands, and constantly strengthened the guidance of profit improvement and tracking, ensuring 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. Additionally, we also made full use of the favorable policies for promoting automobile consumption introduced by local regions after the epidemic, and proactively communicated and cooperated with manufacturers to sufficiently gain the best commercial policy support.



## Management Discussion & Analysis



In the first half of 2020, the turnover day of our new vehicle was 36.4 days, of which the turnover day in the second quarter was 28.2 days, a reduce of 7.4 days compared to the same period in 2019. Through the establishment and improvement of an integrated inventory management system, we have taken initiatives to accelerate the pace of new car sales. We strengthened management of the depth and matching of orders 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 controlled our financial costs and substantially improved the efficiency of our asset operations.

In terms of the innovation of new vehicle sales management, we noticed that the users' willingness to go out during the epidemic has declined while their attention to online platforms has increased significantly and the diversified trend of information channel has become more distinct. We created a "No shop online ordering (不到店訂車)" service experience model for users by designing various types of small-sum subscription package products and carrying out all-staff marketing, etc.. We further emphasized the importance of the non-showroom channels and their management via online live broadcast, so as to achieve omni-channel attraction of potential customers. 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

### Rapid Recovery in After-sales Services

In the first half of 2020, affected by the novel coronavirus epidemic, revenue from our after-sales services, including maintenance services and automobile extended products and services, was RMB3,962 million, a decrease of 6.7% over the same period in 2019. However, revenue from our after-sales services reached RMB2,545 million in the second quarter, an increase of 15.4% over the same period last year. In the first half of 2020, the gross profit margin of our after-sales service was 46.05%, which was basically the same as in the same period of 2019.

In terms of upgrading the maintenance and repairing business, for the purpose of minimizing the impact of the epidemic, we adjusted our strategies in a timely manner. Since February this year, on the one hand, we have actively carried out various marketing activities such as “flash sales” and “advance payment for subscription”, and promotions by means of WeChat, vertical media and telephone solicitation and others, to broaden customer awareness and target customers in advance; on the other hand, we eliminated customers’ concerns by means of “100% disinfection of vehicles”, “daily health announcement of staff”, etc., providing support for the rapid improvement of subsequent businesses, and ensuring the constant increase in the number of customers under our after-sales management. Meanwhile, we have strengthened the vehicle condition check on all incoming vehicles, eliminated any hidden troubles in a timely manner, improved the customer experience and also increased the revenue from our mechanical and electrical business, which increased by 19.1% in the second quarter compared to the same period in 2019.



## Management Discussion & Analysis



In terms of business enhancement in accident car business insurance, we have strengthened the links between the insurance business and the accident car business, and focused on implementing the renewal business improvement projects, rapidly expanding the penetration rate of renewals and the premium scale as a whole. On this basis, we have also proactively communicated with insurance companies, seeking more accident car information resources and more favorable compensation policies. Meanwhile, we have also put more effort in the development of the accident car business and obtained additional accident car business. In the second quarter, the revenue from our accident car business achieved a period-on-period increase and is in the leading position in the industry despite the overall declining market condition.

In terms of cost control, in response to the phased decline in business volume during the epidemic, we strengthened the procurement control of parts and components and decoration supplies in a timely manner to prevent abnormal increases in inventory and ensure the continuous optimization of the inventory structure. In the first half of 2020, we also re-launched the bidding work for expired centralized procurement products, which further reduced the procurement cost of centralized procurement products while ensuring quality.

In terms of expertise upgrading, on the one hand, we actively carried out more than 5,500 online training courses and appraisals in the first half of 2020, on the other hand, we set up a Yongda after-sales elite apprentice class through common cooperation with Porsche and other major luxury brand manufacturers and colleges and universities, continuously improving the maintenance technicians' expertise and service advisories' reception capability, ensuring our leading position in the industry.



# Management Discussion & Analysis

## **Continuous Improvement of Profitability of Pre-owned Vehicle Business**

In the first half of 2020, the sales volume of pre-owned vehicles for which we acted as an agent was 19,256 units, representing a period-on-period decrease of 2.7%. The gross profit of pre-owned vehicles was RMB67.68 million, representing a period-on-period increase of 0.2%. We achieved continuous improvement in business scale and profit through lean management. In the second quarter, the transaction scale of pre-owned vehicles was 13,200 units, representing a period-on-period increase of 6.8%. The gross profit of pre-owned vehicles was RMB45.54 million, representing a period-on-period increase of 28.8%.

We actively researched and utilized the industry stimulus market policies issued by local governments and manufacturers, continued to strengthen the vehicles replacement and acquisition in 4S store channels, and achieved rapid business growth. We continued to strengthen the core capacity building of pre-owned vehicles teams, improved evaluation, testing, pricing and disposing capabilities, and implemented standardized business management and control. We strictly monitored inventory turnover management of pre-owned vehicles to ensure healthy inventory and operation. We continued to upgrade the ERP management system for pre-owned vehicles to achieve integrated and efficient management of pre-owned vehicles business in terms of operation and finance. We empowered 4S stores through a professional independent operation team to promote business growth.

We have taken the initiative to study the newly issued national tax reduction policy for distribution of pre-owned vehicles. In the future, we will actively deploy our retail distribution business to further reflect our scale advantage of the pre-owned vehicles business. We have dedicated to establish “new retail” business model for pre-owned vehicles, preliminarily realizing full pipeline business structure by combining online and offline channels. At present, we have established 15 official original equipment manufacturer (OEM) certified retail outlets across the country, and 11 official-certified retail outlets of “Yongda Pre-owned Vehicles”. The dual-channel strategy has played a complementary and synergistic effect and rapidly increased the proportion of pre-owned vehicles retail business, driving the growth of extended businesses, such as, finance and insurance, further enhancing the profitability of pre-owned vehicles. In the first half of 2020, many of our 4S stores for Porsche, BMW, Audi, Volvo, Jaguar/Land Rover, SAIC-GM and other brands were in a leading position in the factory’s official evaluation in terms of retail scale and operation results.

## **Continuous Adjustment on Automobile Finance**

In the first half of 2020, we continued to promote strategic adjustment in relation to the financial business. Under the premise of ensuring the safe and stable operation of existing interest-earning assets, we integrated resources and actively innovated, so as to vigorously improve the agency financial business level of the Company.

In terms of revenue, as of the first half of 2020, we achieved a total revenue from the finance and insurance businesses of RMB702 million, representing a decrease of 9.8% as compared to the same period last year. Among them, revenue in the second quarter increased significantly, with a period-on-period increase of 6.8%. In terms of agency and self-operating structure, under the premise of overall revenue increase, the proportion of revenue from our agency business to the total revenue from financial and insurance business has increased from 67.7% in the same period in 2019 to 71.6% in the second quarter of 2020. The results of structural adjustment began to appear.

## Management Discussion & Analysis

In terms of the scale of assets under management, as at the end of the first half of 2020, the balance of assets under management was RMB3.369 billion, decreased 14.4% from RMB3.934 billion at the end of 2019.

### Continuous Optimization and Improvement of Network

In the first half of 2020, in terms of network, we continued to work on the network expansion of major luxury brands, strengthening the advantages of brand portfolio in key areas while continuously optimizing and improve network structure. Through self-built outlets and acquisitions and mergers, we consolidated the market share of existing major luxury brands and continued to expand the network layout of other major luxury brands. At present, we have achieved full coverage of mainstream luxury brands in Shanghai.

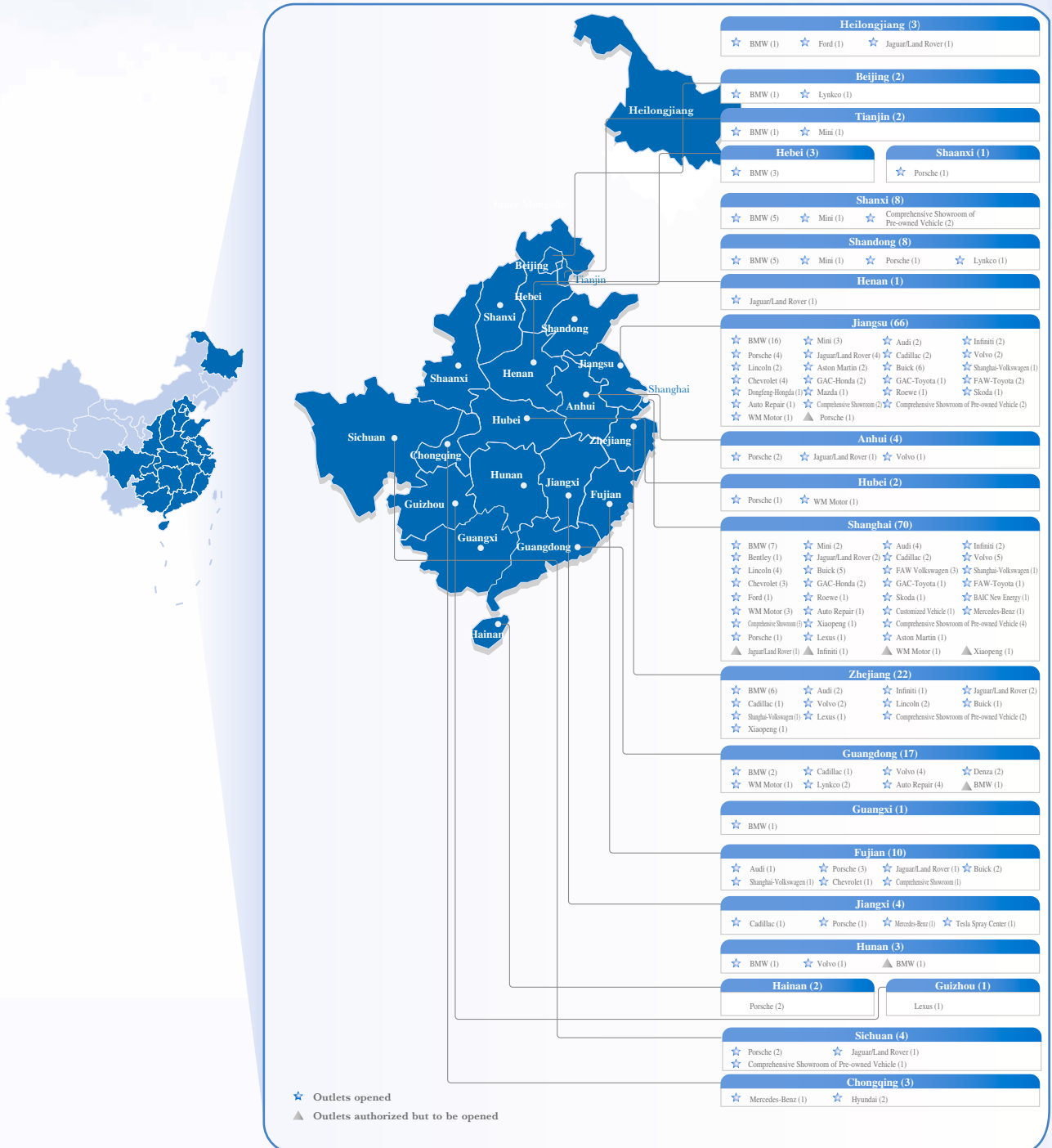
In the first half of 2020, we have added 8 new passenger vehicles sales and service outlets focusing on luxury and ultra-luxury brands, including 1 Porsche 4S dealership, 3 BMW 4S dealerships (including 1 acquisition), 1 Lexus 4S dealership, 1 Aston Martin 4S dealership, 1 WM Motor 4S dealership and 1 Volvo showroom.

In the first half of 2020, we also actively promoted the evaluation and disposal of existing assets. Based on the evaluation results of comprehensive asset evaluation system, we took the initiative to close 7 outlets with weaker profitability. The Company intended to continue to carry out comprehensive evaluation of existing outlets, further focusing on major luxury brands and key regional markets, and continuously improving the return on assets of the Company in combination with corporate operation improvements.

In the first half of 2020, we continued to operate our extensive network with the Yangtze River Delta as the center and expanded our network to other regions in China, such as Northern China, Central China, Southwestern China and Southern China. As of June 30, 2020, our total number of outlets that were opened and outlets with authorization to be opened amounted to 237. Such outlets spread across 4 municipalities and 18 provinces in China, including 207 opened manufacturer authorized outlets, 23 opened non-manufacturer authorized outlets and 7 manufacturer authorized outlets to be opened. Set out below are the details of our outlets as at June 30, 2020:

	Opened outlets	Authorized outlets to be opened	Total
4S dealerships of luxury and ultra-luxury brands	126	5	131
4S dealerships of mid- to high-end brands	59	1	60
City showrooms of luxury brands	18	1	19
Authorized service centers of luxury brands	4	0	4
<b>Subtotal of outlets authorized by the manufacturers</b>	<b>207</b>	<b>7</b>	<b>214</b>
“Auto Repair” maintenance centers of luxury automobiles	6	–	6
Comprehensive showrooms of passenger vehicles	6	–	6
Yongda Pre-owned Vehicle Malls	11	–	11
<b>Subtotal of non-manufacturer authorized outlets</b>	<b>23</b>	<b>–</b>	<b>23</b>
<b>Total outlets</b>	<b>230</b>	<b>7</b>	<b>237</b>

# Management Discussion & Analysis



# Management Discussion & Analysis

## **Continuously Improved Management**

In the first half of 2020, we actively responded to the novel coronavirus epidemic, adjusted our business management strategies in a timely manner, strengthened the capacity building of the organization team, and all staff worked together to restore business and achieved satisfying results. On the one hand, the Company further clarified the positioning of the main business of luxury brand automobile sales services, and actively promoted the adjustment on automobile finance business. Meanwhile, the Company continued to optimize the asset structure and operating cash flow to ensure stable operation; on the other hand, the Company actively researched and utilized various support policies to reduce and optimize costs, focused on product and service innovation, strengthened the comprehensive capabilities of various businesses, such as after-sales service, financial empowerment and pre-owned vehicle business development, and effectively responded to the challenges brought about by the changes in the market environment after the epidemic, ensuring the rapid recovery and improvement of various businesses of the Company.

In terms of cash flow management, we monitored various operations and management tasks by establishing a dynamic and safe cash management mechanism combined with a fund forecasting system. During the daily operation process, we further strengthened the control on inventory purchases and accounts receivable, actively sought interest-free inventory financing from OEMs, sped up business policy rebates and other measures to further optimize cash flow. During the daily fund management process, we strictly controlled expense costs, improved the efficiency of fund application, maintained and established stable financing channels and other measures, to further improve anti-risk ability and reduce finance cost of the Company. The Company will build a more efficient fund management system based on its experience in response to the epidemic.

In terms of improvement of operational efficiency, we further strengthened the management of inventory turnover efficiency of new vehicles, pre-owned vehicles and accessories. In the first half of this year, we achieved further improvement in inventory management and have always maintained a very healthy level of inventory. In terms of 4S enterprise asset operation, through systematic evaluation, we initiated certain shutdown, merging and transfer of some outlets with low operation efficient and no profit, which are not in line with the Company's long-term business strategy, and have made substantive progress in improving the operating efficiency of the Company's overall assets.

In terms of cost reduction and efficiency enhancement work, we have achieved good results based on various policies after the epidemic. In terms of property leasing expenses of enterprises, we proactively communicated with owners to obtain support for rent reduction and exemption. In terms of manpower, we have obtained various support, such as, social security exemption, training subsidies, and job stabilization funds in various regions through active communication; in terms of finances and taxation, and we also actively maintained communication with local governments, and made full use of local support policies for resuming work and production. In terms of operation, on the one hand, we maintained full communication with brand manufacturers, and obtained effective support in various aspects, such as inventory financing and assessment adjustment; on the other hand, we made full use of industry policies such as relaxation of license quotas and old cars replacement in the cities with restrict issuance of new car licenses. The full implementation of the above-mentioned various policies has effectively helped the Company optimize and improve its cost structure as well as reduce related expenses during the epidemic.

## Management Discussion & Analysis

Since customers were not able to visit the stores during the epidemic, the Company timely adjusted the way of marketing and customer maintenance, actively reformed and innovated, and carried out omni-channel marketing activities oriented by “new customers as the lead, customer retention as the support, and activation of customers loss” to achieve the growth of the Company’s overall operating income. During the epidemic, we maximized the use of new media platforms, such as, Douyin and Taobao Live, to carry out online new media live broadcasts, and further strengthened the attention and management of non-showroom channels, such as, vertical network platforms and self-media platforms, so as to attract users from online to offline, expanding the scope of radiation, improving marketing efficiency and ensuring continuous growth momentum after the epidemic.

We continued to advance our path of digital transformation and innovation, gradually improved the core business financial system, smart retail system, customer service applet, etc., effectively applied the diversified functions of digital marketing, operation, collaboration, customer connection and intelligent data analysis, and enhanced user interaction experience through informatization tools to more comprehensively meet the car purchase demand of users and continuously improve the efficiency of business development. Through the linkage of digital tools and business, we empowered the business and built an interconnected, professional and efficient leading digital automotive service ecosystem in China.

Team and staff building is one of the important guarantees for the realization of our business planning and business strategy. The Company attaches great importance to personnel training. In addition to improving our business operations, we also focus on improving the capabilities of our management team and employees. On the one hand, by focusing on the training of young talents and establishing an internal talent flow mechanism, we can continuously optimize the career development system; on the other hand, by continuously optimizing the salary performance system, we can better realize incentive mechanism oriented by growth and win-win. Meanwhile, the Company keeps advancing with the times in corporate culture. By combining culture and operation, we can further improve the quality of employees to ensure the Company’s long-term stable operation and sustainable development in the future.

# Management Discussion & Analysis

## FINANCIAL REVIEW

### Revenue

Revenue was RMB27,950.0 million for the six months ended June 30, 2020, a 4.0% decrease from RMB29,105.8 million for the six months ended June 30, 2019. Revenue was RMB17,658.2 million for the second quarter of 2020, a 14.5% increase from RMB15,423.3 million for the second quarter of 2019, 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 six months ended June 30,

	2020			2019		
	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	20,298,480	58,134	349	20,169,442	60,981	331
Mid- to high-end brands	3,282,411	23,840	138	4,312,959	33,782	128
<b>Subtotal</b>	<b>23,580,891</b>	<b>81,974</b>	<b>288</b>	24,482,401	94,763	258
After-sales services	3,961,560	-	-	4,244,347	-	-
Automobile rental services	248,861	-	-	224,286	-	-
Proprietary finance business	222,947	-	-	246,373	-	-
Less: inter-segment eliminations	(64,210)	-	-	(91,608)	-	-
<b>Total</b>	<b>27,950,049</b>	<b>-</b>	<b>-</b>	29,105,799	-	-

	2nd Quarter of 2020			2nd Quarter of 2019		
	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	12,770,196	37,372	342	10,872,735	34,589	314
Mid- to high-end brands	2,144,817	15,158	141	2,154,094	17,745	121
<b>Subtotal</b>	<b>14,915,013</b>	<b>52,530</b>	<b>284</b>	13,026,829	52,334	249
After-sales services	2,544,502	-	-	2,205,398	-	-
Automobile rental services	127,147	-	-	119,020	-	-
Proprietary finance business	116,592	-	-	124,238	-	-
Less: inter-segment eliminations	(45,096)	-	-	(52,150)	-	-
<b>Total</b>	<b>17,658,158</b>	<b>-</b>	<b>-</b>	15,423,335	-	-

## Management Discussion & Analysis

The sales volume of passenger vehicles of the passenger vehicle sales and services segment was 81,974 units for the six months ended June 30, 2020, a 13.5% decrease from 94,763 units for the six months ended June 30, 2019. The sales volume of passenger vehicles was 52,530 units for the second quarter of 2020, a 0.4% increase from 52,334 units for the second quarter of 2019. Of which, the sales volume of luxury and ultra-luxury brand passenger vehicles was 58,134 units for the six months ended June 30, 2020, a 4.7% decrease from 60,981 units for the six months ended June 30, 2019. The sales volume of luxury and ultra-luxury brand passenger vehicles was 37,372 units for the second quarter of 2020, a 8.0% increase from 34,589 units for the second quarter of 2019.

Revenue from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB23,580.9 million for the six months ended June 30, 2020, a 3.7% decrease from RMB24,482.4 million for the six months ended June 30, 2019. Revenue from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB14,915.0 million for the second quarter of 2020, a 14.5% increase from RMB13,026.8 million for the second quarter of 2019. Of which, revenue from the sales of luxury and ultra-luxury brand passenger vehicles was RMB20,298.5 million for the six months ended June 30, 2020, a 0.6% increase from RMB20,169.4 million for the six months ended June 30, 2019. Revenue from the sales of luxury and ultra-luxury brand passenger vehicles was RMB12,770.2 million for the second quarter of 2020, a 17.5% increase from RMB10,872.7 million for the second quarter of 2019.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB3,961.6 million for the six months ended June 30, 2020, a 6.7% decrease from RMB4,244.3 million for the six months ended June 30, 2019. Revenue of after-sales services from the passenger vehicle sales and services segment was RMB2,544.5 million for the second quarter of 2020, a 15.4% increase from RMB2,205.4 million for the second quarter of 2019.

Revenue from the automobile rental services segment was RMB248.9 million for the six months ended June 30, 2020, a 11.0% increase from RMB224.3 million for the six months ended June 30, 2019. Revenue from the automobile rental services segment was RMB127.1 million for the second quarter of 2020, a 6.8% increase from RMB119.0 million for the second quarter of 2019.

Revenue from the proprietary finance business segment was RMB222.9 million for the six months ended June 30, 2020, a 9.5% decrease from RMB246.4 million for the six months ended June 30, 2019. Revenue from the proprietary finance business segment was RMB116.6 million for the second quarter of 2020, a 6.2% decrease from RMB124.2 million for the second quarter of 2019, which was primarily attributable to the structural adjustment of the Company which led to the decrease in proprietary finance ratio.

### **Cost of Sales and Services**

Cost of sales and services was RMB25,288.0 million for the six months ended June 30, 2020, a 4.0% decrease from RMB26,333.7 million for the six months ended June 30, 2019. Cost of sales and services was RMB15,962.0 million for the second quarter of 2020, a 14.3% increase from RMB13,962.9 million for the second quarter of 2019, which was primarily due to the increase in cost of sales and after-sale services of luxury and ultra-luxury brand passenger vehicles.

## Management Discussion & Analysis

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB22,959.1 million for the six months ended June 30, 2020, a 3.9% decrease from RMB23,897.6 million for the six months ended June 30, 2019. Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB14,513.9 million for the second quarter of 2020, a 14.3% increase from RMB12,703.4 million for the second quarter of 2019. The increase was basically in line with the increase in our revenue from our sales of passenger vehicles.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB2,137.2 million for the six months ended June 30, 2020, a 6.6% decrease from RMB2,288.0 million for the six months ended June 30, 2019. Cost of after-sales services from the passenger vehicle sales and services segment was RMB1,371.4 million for the second quarter of 2020, a 15.3% increase from RMB1,189.3 million for the second quarter of 2019. The increase was basically in line with the increase in our revenue of after-sales services.

Cost of services for the automobile rental services segment was RMB189.1 million for the six months ended June 30, 2020, a 15.9% increase from RMB163.2 million for the six months ended June 30, 2019. Cost of services for the automobile rental services segment was RMB95.7 million for the second quarter of 2020, a 9.6% increase from RMB87.3 million for the second quarter of 2019. The increase was higher than the increase in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB70.8 million for the six months ended June 30, 2020, a 22.6% decrease from RMB91.4 million for the six months ended June 30, 2019, and the cost of services for the proprietary finance business segment was RMB35.2 million for the second quarter of 2020, a 18.3% decrease from RMB43.1 million for the second quarter of 2019. The decrease was higher than the decrease of our revenue from the proprietary finance business segment.

### **Gross Profit and Gross Profit Margin**

As a result of the foregoing, gross profit was RMB2,662.0 million for the six months ended June 30, 2020, a 4.0% decrease from RMB2,772.1 million for the six months ended June 30, 2019. Gross profit was RMB1,696.2 million for the second quarter of 2020, a 16.1% increase from RMB1,460.4 million for the second quarter of 2019.

Gross profit margin was 9.52% for the six months ended June 30, 2020, which was in line with the gross profit margin for the six months ended June 30, 2019. Gross profit margin increased to 9.61% for the second quarter of 2020 from 9.47% for the second quarter of 2019.

Gross profit from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB621.8 million for the six months ended June 30, 2020, a 6.3% increase from RMB584.8 million for the six months ended June 30, 2019. Gross profit from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB401.1 million for the second quarter of 2020, a 24.0% increase from RMB323.5 million for the second quarter of 2019.

Gross profit margin for the sales of passenger vehicles increased to 2.64% for the six months ended June 30, 2020 from 2.39% for the six months ended June 30, 2019. Gross profit margin for the sales of passenger vehicles increased to 2.69% for the second quarter of 2020 from 2.48% for the second quarter of 2019.



## Management Discussion & Analysis

Gross profit for after-sales services from the passenger vehicle sales and services segment was RMB1,824.4 million for the six months ended June 30, 2020, a 6.7% decrease from RMB1,956.3 million for the six months ended June 30, 2019. Gross profit for after-sales services from the passenger vehicle sales and services segment was RMB1,173.1 million for the second quarter of 2020, a 15.5% increase from RMB1,016.1 million for the second quarter of 2019.

Gross profit margin for after-sales services was 46.05% for the six months ended June 30, 2020, which was generally in line with that of 46.09% for the six months ended June 30, 2019. Gross profit margin for after-sales services was 46.11% for the second quarter of 2020, which was generally in line with that of 46.07% for the second quarter of 2019.

Gross profit from the automobile rental services segment was RMB59.7 million for the six months ended June 30, 2020, a 2.2% decrease from RMB61.1 million for the six months ended June 30, 2019. Gross profit from the automobile rental services segment was RMB31.5 million for the second quarter of 2020, a slight decrease from RMB31.8 million for the second quarter of 2019.

Gross profit margin for the automobile rental services segment was 24.00% for the six months ended June 30, 2020, a decrease from 27.24% for the six months ended June 30, 2019. Gross profit margin for the automobile rental services segment was 24.76% for the second quarter of 2020, a decrease from 26.68% for the second quarter of 2019.

Gross profit from the proprietary finance business segment was RMB152.2 million for the six months ended June 30, 2020, a 1.8% decrease from RMB155.0 million for the six months ended June 30, 2019. Gross profit from the proprietary finance business segment was RMB81.4 million for the second quarter of 2020, a slight increase from RMB81.1 million for the second quarter of 2019.

Gross profit margin for the proprietary finance business segment was 68.26% for the six months ended June 30, 2020, an increase from 62.89% for the six months ended June 30, 2019. Gross profit margin for the proprietary finance business segment was 69.78% for the second quarter of 2020, an increase from 65.29% for the second quarter of 2019.

### **Other Income and Other Gains and Losses**

Other income and other gains and losses was RMB509.6 million for the six months ended June 30, 2020, a 12.2% decrease from RMB580.3 million for the six months ended June 30, 2019. Other income and other gains and losses was RMB310.6 million for the second quarter of 2020, a 5.1% increase from RMB295.5 million for the second quarter of 2019.

Of which revenue from the finance and insurance related post-market agency services business of the passenger vehicle sales and services segment was RMB479.3 million for the six months ended June 30, 2020, a 9.9% decrease from RMB532.3 million for the six months ended June 30, 2019. Revenue from the finance and insurance related post-market agency services business of the passenger vehicle sales and services segment was RMB294.7 million for the second quarter of 2020, a 13.0% increase from RMB260.7 million for the second quarter of 2019.

# Management Discussion & Analysis

## **Distribution and Selling Expenses and Administrative Expenses**

Distribution and selling expenses and administrative expenses was RMB2,069.0 million for the six months ended June 30, 2020, a 6.3% increase from RMB1,946.8 million for the six months ended June 30, 2019. Distribution and selling expenses and administrative expenses was RMB1,159.1 million for the second quarter of 2020, a 14.8% increase from RMB1,009.5 million for the second quarter of 2019. The increase was primarily due to the expansion of our sales and services network and sales scale.

In terms of percentage of revenue, the year-on-year decrease of revenue for the first quarter of 2020 was relatively higher due to the impact of COVID-2019 epidemic. The percentage of the distribution and selling expenses and administrative expenses for the six months ended June 30, 2020 was 7.40%, an increase of 0.71 percentage points from 6.69% for the six months ended June 30, 2019. The percentage of the distribution and selling expenses and administrative expenses was 6.56% for the second quarter of 2020, which was generally in line with 6.55% for the second quarter of 2019.

## **Operating Profit**

As a result of the foregoing, operating profit was RMB1,102.6 million for the six months ended June 30, 2020, a 21.6% decrease from RMB1,405.5 million for the six months ended June 30, 2019. Operating profit was RMB847.7 million for the second quarter of 2020, a 13.6% increase from RMB746.4 million for the second quarter of 2019.

## **Finance Costs**

Finance costs were RMB370.9 million for the six months ended June 30, 2020, a 1.5% decrease from RMB376.5 million for the six months ended June 30, 2019, and the finance costs were RMB192.7 million for the second quarter of 2020, a 1.4% decrease from RMB195.4 million for the second quarter of 2019.

In terms of percentage of revenue, the year-on-year decrease of revenue for the first quarter of 2020 was relatively higher due to the impact of COVID-2019 epidemic. The percentage of the finance costs for the six months ended June 30, 2020 increased to 1.33% from 1.29% for the six months ended June 30, 2019. The percentage of the finance costs was 1.09% for the second quarter of 2020, a decrease from 1.27% for the second quarter of 2019.

## **Profit before Tax**

As a result of the foregoing, profit before tax was RMB756.2 million for the six months ended June 30, 2020, a 28.4% decrease from RMB1,056.4 million for the six months ended June 30, 2019. Profit before tax was RMB671.0 million for the second quarter of 2020, a 18.0% increase from RMB568.7 million for the second quarter of 2019.

## **Income Tax Expenses**

Income tax expenses were RMB184.5 million for the six months ended June 30, 2020, a 32.7% decrease from RMB274.1 million for the six months ended June 30, 2019. Our effective income tax rate was 24.4% for the six months ended June 30, 2020, a decrease from 25.9% for the six months ended June 30, 2019.

## **Profit**

As a result of the foregoing, the profit was RMB571.7 million for the six months ended June 30, 2020, a 26.9% decrease from RMB782.3 million for the six months ended June 30, 2019. The profit was RMB508.9 million for the second quarter of 2020, a 21.7% increase from RMB418.0 million for the second quarter of 2019.

# Management Discussion & Analysis

## **Profit Attributable to the Owners of the Company**

As a result of the foregoing, the profit attributable to the owners of the Company was RMB530.0 million for the six months ended June 30, 2020, a 27.8% decrease from RMB734.1 million for the six months ended June 30, 2019. The profit attributable to the owners of the Company was RMB470.6 million for the second quarter of 2020, a 21.3% increase from RMB388.1 million for the second quarter of 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flow**

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

For the six months ended June 30, 2020, our net cash generated from operating activities was RMB2,780.6 million, of which the net cash generated from operating activities of automobile sales and services business was RMB2,184.5 million, and the net cash generated from operating activities of proprietary finance business was RMB596.2 million. For the six months ended June 30, 2019, our net cash from operating activities was RMB2,977.0 million, of which the net cash generated from operating activities of automobile sales and services business was RMB2,476.2 million, and the net cash generated from operating activities of proprietary finance business was RMB500.8 million. Compared to the six months ended June 30, 2019, mainly due to the increase of RMB512.9 million for net repayment of notes payable for the six months ended June 30, 2020 compared to the corresponding period of last year, our net cash generated from operating activities of automobile sales and services business decreased by RMB291.7 million, and the net cash generated from operating activities of proprietary finance business increased by RMB95.4 million as a result of the total control over the newly added interest-bearing assets.

For the six months ended June 30, 2020, our net cash used in investment activities was RMB268.7 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB424.3 million and acquisition of subsidiaries of RMB117.0 million, which was partially offset by the proceeds from the disposal of property, plant and equipment and land use rights and intangible assets of RMB248.6 million. For the six months ended June 30, 2019, our net cash used in investing activities was RMB644.1 million.

For the six months ended June 30, 2020, our net cash used in financing activities was RMB834.0 million, which mainly included the net repayment of bank loans and other borrowings of RMB1,817.6 million and the payment of interest of RMB307.2 million, which was partially offset by the proceeds from issuance of medium-term notes and super short-term commercial papers of RMB470.0 million and the proceeds from top-up issuance of new shares of RMB897.9 million. For the six months ended June 30, 2019, our net cash used in financing activities was RMB1,523.7 million.

### **Inventories**

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

## Management Discussion & Analysis

Our inventories were RMB5,404.3 million as of June 30, 2020, a 4.0% decrease from RMB5,626.8 million as of December 31, 2019. The following table sets forth our average inventory turnover days for the periods indicated:

	For the six months ended June 30,	
	2020	2019
Average inventory turnover days	37.0	36.7

	2nd quarter	
	2020	2019
Average inventory turnover days	28.7	34.7

### Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights and intangible assets (vehicle licences), which was partially offset by the proceeds from the disposal of property, plant and equipment. For the six months ended June 30, 2020, our total capital expenditures were RMB292.7 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	Six months ended June 30, 2020 (in RMB millions)
Expenditures on purchase of property, plant and equipment – test-drive automobiles and vehicles for operating lease purposes	334.4
Expenditures on purchase of property, plant and equipment – primarily used for establishing new automobile sales and service outlets	69.6
Expenditures on purchase of intangible assets (vehicle licences)	20.3
Expenditures on acquisition of subsidiaries	117.0
Proceeds from the disposal of property, plant and equipment (mainly test-drive automobiles and vehicles for operating lease purposes)	(248.6)
Total	292.7

# Management Discussion & Analysis

## 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 June 30, 2020, the outstanding amount of our borrowings and bonds amounted to RMB11,558.9 million, a 10.1% decrease from RMB12,852.0 million as of December 31, 2019. The following table sets forth the maturity profile of our borrowings and bonds as of June 30, 2020:

	As of June 30, 2020 (in RMB millions)
Within one year	8,465.1
One to two years	2,706.9
Two to five years	386.9
Total	11,558.9

As of June 30, 2020, our net gearing ratio (being net liabilities divided by total equity) was 66.8% (as of December 31, 2019: 98.7%). Net liabilities represent borrowings, super short-term commercial papers and medium-term notes minus cash and cash equivalents and time deposits.

As of June 30, 2020, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2020 consisted of (i) inventories of RMB1,333.9 million; (ii) property, plant and equipment of RMB120.1 million; (iii) land use rights of RMB164.7 million; and (iv) equity interests of the subsidiaries of RMB492.2 million.

## Contingent Liabilities

As of June 30, 2020, 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 some of our exposure to interest rate risk.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of June 30, 2020, 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.

# Management Discussion & Analysis

## **FUTURE OUTLOOK AND STRATEGIES**

With the gradual control of the COVID-2019 epidemic in China and the improvement of the public health awareness, domestic automobile consumption has recovered rapidly, and private car consumption willingness continues to raise. It is expected that in the future, driven by the dual factors of the rigid demand of consumption upgrading and boosting consumption policy orientation, the consumption market of luxury passenger vehicles in China will also maintain steady growth. At the same time, it is expected that the recent abundant liquidity of domestic funds, the implementation of new taxation policy for pre-owned vehicles and the rising passenger vehicle ownership will also bring more development opportunities to the automotive aftermarket businesses, such as, automobile finance agency, pre-owned vehicles and vehicle maintenance.

The Company will focus on the main business of automobile sales and services, aiming to maintain a high and constant growth, particularly in concentrating on the development of luxury brand agency business. The Company will take advantage of the merger and acquisition opportunities during the industry integration period to improve the luxury brand agency network, continue to consolidate and develop the Porsche and BMW brands and focus on the development of the Mercedes-Benz and Lexus brands. For the current existing network, the Company will advance the facility renovation and capacity expansion plan, and take initiatives to close down or merge and transfer outlets with poor profitability in order to revitalize existing assets and optimize the brand structure and regional distribution.

Looking forward, targeting the rapid growth in the principal business of the automotive services, we will benchmark from the three dimensions of industry, region and brand, determine and improve data-based management, increase business scale and asset operation efficiency, and reinforce our leading position. We will focus on improving operational management, strengthen the local retail and inventory turnover management of new vehicles, seize the growth of production capacity of the after-sales services and continuous enhancement of the service absorption rate and maintain the solid retention customers and services. We will focus on promotion of the customer loyalty plan and improvement of value management of existing customers. We will combine offline scenarios to accelerate the construction of more online new media contacts and marketing channels, and focus on improving digital capabilities. Further, we will optimize the Company's appraisal management and incentive mechanism, strengthen the team building and future talent reserves of the Company, maintain a healthy and stable cash flows and gearing ratio of the Company. We will also strengthen the construction of corporate risk control, actively practice corporate social responsibility and enhance the Company's brand image, so as to achieve a higher-quality operation and management, sound returns for our shareholders as well as sustainable development goals of the Company.

# Corporate Governance and Other Information

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

As at June 30, 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

### (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 <sup>(1)</sup>	Founder of a discretionary trust	395,409,500 (long position)	20.091
	Interest of controlled corporation	197,080,000 (long position)	10.014
	Beneficial owner	9,303,000 (long position)	0.473
Mr. CAI Yingjie <sup>(2)</sup>	Interest of controlled corporation	59,288,000 (long position)	3.012
	Beneficial owner	674,500 (long position)	0.034
Mr. WANG Zhigao <sup>(3)</sup>	Interest of controlled corporation	37,660,000 (long position)	1.914
	Beneficial owner	910,500 (long position)	0.046
Mr. XU Yue <sup>(4)</sup>	Beneficial owner	3,748,000 (long position)	0.190
Ms. CHEN Yi	Beneficial owner	1,842,000 (long position)	0.094

## Corporate Governance and Other Information

### 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 197,080,000 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 59,288,000 shares held by Ample Glory. He also holds 674,500 shares of the Company as beneficial owner.
- (3) Mr. WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited ("Golden Rock") and he is deemed to be interested in the 37,660,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.
- (4) Mr. XU Yue holds 3,748,000 shares of the Company as beneficial owner. In addition, he also has an interest in 1,000,000 underlying shares of the Company in respect of the share options granted under the share option scheme adopted on October 10, 2013.

### (B) Long positions in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital (%)
Mr. XU Yue	Beneficial owner	1,000,000	0.051
Ms. ZHU Anna Dezhen	Beneficial owner	200,000	0.010

Save as disclosed above, as at June 30, 2020, 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 as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.



## Corporate Governance and Other Information

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

As at June 30, 2020, to the best of knowledge of the Company and the Directors, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

#### Interests in the shares and underlying shares of the Company

Name of Substantial Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholdings (%)
Palace Wonder <sup>(1)</sup>	Beneficial owner	395,409,500 (long position)	20.091
Regency Valley <sup>(1)</sup>	Interest of controlled corporation	395,409,500 (long position)	20.091
HSBC International Trustee Limited <sup>(1)</sup>	Trustee	396,149,500 (long position)	20.128
Asset Link <sup>(2)</sup>	Beneficial owner	197,080,000 (long position)	10.014

#### 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 197,080,000 shares held by Asset Link.

Save as disclosed above, as at June 30, 2020, the Directors and chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

## Corporate Governance and Other Information

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above or otherwise disclosed in this interim report, at no time during the reporting period 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 March 17, 2020, Shanghai Yongda Investment Holdings Group Co., Limited (上海永達投資控股集團有限公司) ("Yongda Investment") issued a medium-term note with an aggregate principal amount of RMB370 million at a rate of 4.8% per annum for repayment of bank loans. As at the date of this interim report, the aggregated principal amount of the medium-term note remains outstanding. For further details, please refer to note 18 to the Condensed Consolidated Financial Statements.

On April 23, 2020, Yongda Investment issued a tranche of the super short-term commercial papers with an aggregate principal amount of RMB100 million at a rate of 3.59% per annum for the purpose of repayment of existing debts of the Company. As at the date of this interim report, the aggregated principal amount of the super short-term commercial papers remains outstanding. For further details, please refer to note 17 to the Condensed Consolidated Financial Statements.

## Corporate Governance and Other Information

### TOP-UP SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE AND PLACING OF EXISTING SHARES UNDER THE GENERAL MANDATE

On June 12, 2020, an aggregate of 120,000,000 existing ordinary shares have been successfully placed by Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc and The Hongkong and Shanghai Banking Corporation Limited, as the placing agents, to not less than six placees, who are professional, institutional or other investors and whose ultimate beneficial owners are third parties independent of and not acting in concert (as defined under the Hong Kong Code on Takeovers and Mergers) with Asset Link, the Company, its subsidiaries and their respective connected persons and associates, at the placing price of HK\$8.29 per share (the "Placing") pursuant to the terms and conditions of the placing and subscription agreement dated June 10, 2020 entered into between the Company, the placing agents and Asset Link as subscriber (the "Placing and Subscription Agreement"). The net placing price, after deduction of the relevant expenses, is approximately HK\$8.19 per share. The closing price of the Company shares on June 10, 2020 was HK\$8.298 per share. A total of 120,000,000 new shares were allotted and issued to Asset Link, at a subscription price of HK\$8.29 per share pursuant to the Placing and Subscription Agreement under the general mandate granted to the directors of the Company by shareholders at the annual general meeting of the Company held on May 31, 2019. The maximum aggregate nominal value of the placement shares under the Placing is HK\$1,200,000. The net proceeds of the subscription were approximately HK\$983,000,000. The purpose of the Placing was to broaden shareholder base, strengthen the capital base and to enhance financial position and net assets base of the Company for long-term development and growth. No net proceeds from the Placing had been utilized by the Group. The Company further confirms the net proceeds from the Placing will be used according to the purposes previously disclosed in the said announcements, that is, for further expansion of the Group's dealership network, mainly by way of acquisition or establishment of new 4S dealerships with an aim to consolidate the leading position of the Company with continual focus on ultra-luxury and luxury brands, subject to change in market conditions. For details, please refer to the announcements of the Company dated June 10, 2020 and June 23, 2020, respectively.

	Intended use of Net Proceeds	Actual use of Net Proceeds as of 30 June 2020	Unutilized proceeds, its intended use and timeline
Acquisition or establishment of new 4S dealerships	HK\$983 million	HK\$0 million	HK\$983 million (to be utilized in the second half of 2020 and in 2021)

## Corporate Governance and Other Information

### **STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION**

As at June 30, 2020, we had 15,895 employees (including employees from every region of the Group). The remuneration of our employees includes salaries and allowances. We also provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our Directors, and the Directors' remuneration are determined by the Board pursuant to the authorization granted by the shareholders at a general meeting of the Company. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of our Group.

### **SHARE OPTION SCHEME**

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

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

## Corporate Governance and Other Information

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

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

The vesting period is determined at the Board's discretion and is set out in the respective 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 the option price of RMB1.00 shall be made upon acceptance of the offer.

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

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

## Corporate Governance and Other Information

Details of movements in the options granted under the Share Option Scheme during the six months ended June 30, 2020 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 HK\$ per share	Price of the Company's shares		Weighted average closing price of the Company's shares
	Yet to be exercised as at January 1, 2020	Granted during the period	Forfeited during the period	Exercised during the period	Lapsed during the period	Expired during the period	Yet to be exercised as at June 30, 2020				Immediately before the grant date HK\$ per share	Immediately before the exercise date HK\$ per share	
<i>Executive Director</i>													
XU Yue	2,400,000	-	-	1,400,000	-	-	1,000,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	8.660	8.809
<i>Non-executive Director</i>													
WANG Liqun	200,000	-	-	200,000	-	-	0	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	7.025	7.006
<i>Independent Non-executive Directors</i>													
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	-	-	0	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	7.560	7.502
<i>Other Employees in aggregate</i>													
	9,094,500	-	-	6,032,950	-	-	3,061,550	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	7.971	8.177
	8,941,000	-	-	66,000	-	-	8,875,000	June 19, 2017	June 19, 2017 to June 19, 2022	8.140	8.020	8.357	8.736
Other grantees/participants in aggregate*	200,000	-	-	200,000	-	-	0	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	8.745	8.289

\* As at January 1, 2020, 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 0.010% of the total issued share capital of the Company. His 200,000 share options were exercised in January 2020.

## Corporate Governance and Other Information

### **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. On termination of the Employee Pre-IPO Incentive Scheme, HSBC HK Trustee will transfer the Scheme Shares to Shanghai Yongda Holding (Group) Limited (“Yongda Holding”), unless the board of directors of Yongda Holding request the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of HSBC HK Trustee, the Articles of Association of the Company and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

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

During the six months ended June 30, 2020, awards of approximately 2,735,000 restricted shares have been granted to eligible persons pursuant to the terms of the Amended Scheme.

## Corporate Governance and Other Information

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2020.

### **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed in this report, the Company did not have material acquisitions and disposals in relation to subsidiaries, associates and joint ventures during the reporting period.

### **CHANGES IN DIRECTORATE AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT**

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

<b>Name of Director</b>	<b>Details of changes in position/particulars</b>
XU Yue	Appointed as the Vice-Chairman of the Company with effect from March 25, 2020

Save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. No changes to the senior management during the six months ended June 30, 2020.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules and has complied with the code provisions under the CG Code during the six months ended June 30, 2020.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2020.

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



## Corporate Governance and Other Information

### **AUDIT AND COMPLIANCE COMMITTEE**

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

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2020. The Audit and Compliance Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

### **EVENTS AFTER THE END OF THE REPORTING PERIOD**

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

## Corporate Governance and Other Information

### **SPECIAL DIVIDEND AND INTERIM DIVIDEND**

On June 18, 2020, the Board has resolved to declare a special dividend of HK\$0.270 per share of the Company, which was paid on July 28, 2020. Please refer to the Company's announcement dated June 18, 2020 for details.

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: nil) to the shareholders of the Company.

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

PRC, August 25, 2020

# Report on Review of Condensed Consolidated Financial Statements

**Deloitte.**

德勤

**TO THE BOARD OF DIRECTORS OF  
CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 42 to 84, which comprise the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

August 25, 2020

# Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2020

	NOTES	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue			
Goods and services	3A	27,488,472	28,640,792
Rental		243,043	224,286
Interests		218,534	240,721
Total revenue	3B	27,950,049	29,105,799
Cost of sales and services		(25,288,027)	(26,333,711)
Gross profit		2,662,022	2,772,088
Other income and other gains and losses	4	509,583	580,266
Distribution and selling expenses		(1,333,799)	(1,216,925)
Administrative expenses		(735,167)	(729,880)
Profit from operations		1,102,639	1,405,549
Share of (losses) profits of joint ventures		(3,325)	5,354
Share of profits of associates		27,867	21,995
Finance costs	5	(370,935)	(376,536)
Profit before tax	6	756,246	1,056,362
Income tax expense	7	(184,530)	(274,105)
Profit for the period		571,716	782,257
Profit for the period attributable to:			
Owners of the Company		529,965	734,132
Non-controlling interests		41,751	48,125
		571,716	782,257
Earnings per share – basic	9	RMB0.29	RMB0.40
Earnings per share – diluted	9	RMB0.29	RMB0.40

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit for the period	571,716	782,257
<b>Other comprehensive income (expense)</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	4,228	(1,314)
<b>Total comprehensive income for the period</b>	<b>575,944</b>	780,943
Total comprehensive income for the period attributable to:		
Owners of the Company	534,193	732,818
Non-controlling interests	41,751	48,125
	<b>575,944</b>	780,943

# Condensed Consolidated Statement of Financial Position

At June 30, 2020

	NOTES	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	5,989,462	6,105,406
Right-of-use assets	10	3,072,706	3,032,974
Goodwill		1,247,077	1,236,585
Other intangible assets		2,061,910	2,064,888
Deposits paid for acquisition of property, plant and equipment		83,526	149,156
Deposits paid for acquisition of land use rights		41,153	41,153
Equity instruments at FVTOCI	22	14,886	10,658
Financial assets at fair value through profit or loss ("FVTPL")	22	372,925	340,542
Interests in joint ventures		91,385	97,415
Interests in associates		484,527	462,167
Finance lease receivables	11	812,825	1,385,578
Loan receivables	12	9,772	33,356
Deferred tax assets		250,093	209,507
Other assets	14	30,000	30,000
		<b>14,562,247</b>	15,199,385
<b>Current assets</b>			
Inventories	13	5,404,279	5,626,803
Finance lease receivables	11	2,361,073	2,193,384
Loan receivables	12	185,643	321,551
Trade and other receivables	14	5,806,944	6,847,000
Financial assets at fair value through profit or loss ("FVTPL")	22	252,585	–
Amounts due from related parties	24	182,614	152,134
Derivative financial assets		2,075	–
Cash in transit		134,584	150,872
Time deposits		10,605	322,903
Restricted bank balances		2,711,017	2,450,362
Bank balances and cash		3,888,386	2,210,423
		<b>20,939,805</b>	20,275,432

(continued)

# Condensed Consolidated Statement of Financial Position

At June 30, 2020

	NOTES	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	15	6,823,071	7,070,534
Amounts due to related parties	24	39,333	2,809
Income tax liabilities		757,428	729,718
Borrowings	16	8,365,523	10,129,408
Contract liabilities		1,679,148	1,725,445
Lease liabilities		192,386	174,747
Dividends payable		486,454	–
Super short-term commercial papers	17	99,580	–
Derivative financial liabilities		–	12,606
		<b>18,442,923</b>	19,845,267
<b>Net current assets</b>			
		<b>2,496,882</b>	430,165
<b>Total assets less current liabilities</b>			
		<b>17,059,129</b>	15,629,550
<b>Non-current liabilities</b>			
Borrowings	16	2,726,798	2,722,575
Lease liabilities		1,727,945	1,658,623
Other liabilities	15	29,553	31,961
Deferred tax liabilities		656,085	659,301
Medium-term note	18	366,988	–
Derivative financial liabilities		92,771	104,493
		<b>5,600,140</b>	5,176,953
<b>Net assets</b>			
		<b>11,458,989</b>	10,452,597
<b>Capital and reserves</b>			
Share capital	19	16,247	15,080
Reserves		10,852,104	9,866,460
Equity attributable to owners of the Company		<b>10,868,351</b>	9,881,540
Non-controlling interests		590,638	571,057
<b>Total equity</b>			
		<b>11,458,989</b>	10,452,597

# Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2020

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory surplus reserve	Special reserve	Share-based payments reserve	FVTOCI reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020 (audited)	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
Profit for the period	-	-	-	-	-	-	529,965	529,965	41,751	571,716
Other comprehensive income for the period	-	-	-	-	-	4,228	-	4,228	-	4,228
Total comprehensive income for the period	-	-	-	-	-	4,228	529,965	534,193	41,751	575,944
Disposal of partial equity interests in subsidiaries without losing control	-	-	-	131	-	-	-	131	10,749	10,880
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(680)	(680)
Recognition of equity-settled share-based payments	-	-	-	-	13,050	-	-	13,050	-	13,050
Exercise of share options	73	27,934	-	-	-	-	-	28,007	-	28,007
Placement and subscription (Note 19)	1,094	907,595	-	-	-	-	-	908,689	-	908,689
Issue costs for the placement and subscription	-	(10,805)	-	-	-	-	-	(10,805)	-	(10,805)
Dividends recognized as distribution (Note 8)	-	(486,454)	-	-	-	-	-	(486,454)	-	(486,454)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(32,239)	(32,239)
At June 30, 2020 (unaudited)	16,247	2,264,496	1,408,647	220,105	144,164	(3,813)	6,818,505	10,868,351	590,638	11,458,989

(continued)



# Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2020

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

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	756,246	1,056,362
Adjustments for:		
Finance costs	370,935	376,536
Interest income on bank deposits	(13,692)	(14,192)
Interest income from a related party	(1,728)	(1,728)
Loss on disposal of subsidiaries	1,943	380
Loss on disposal of interest in an associate	–	53
Depreciation of property, plant and equipment	371,960	304,456
Depreciation of right-of-use assets	139,422	121,431
Amortization of intangible assets	30,484	22,190
Share-based payment expenses	13,050	10,958
Gain on disposal of property, plant and equipment	(22,161)	(5,017)
Loss (gain) on fair value change of financial assets at FVTPL	49,400	(21,966)
Investment income of financial assets at FVTPL	(39,145)	–
Provision (reversal) of impairment of loan receivables	1,025	(1,564)
Provision (reversal) of impairment of finance lease receivables	2,432	(738)
(Gain) loss on changes in fair value of derivative financial instruments, net	(26,404)	47,955
Foreign exchange loss (gain)	26,404	(47,955)
Share of profits of associates	(27,867)	(21,995)
Share of losses (profits) of joint ventures	3,325	(5,354)
Operating cash flows before movements in working capital	1,635,629	1,819,812
Decrease in inventories	247,538	1,072,366
Decrease in trade and other receivables	1,008,257	90,718
Decrease in finance lease receivables	402,632	372,212
Decrease in loan receivables	158,467	181,632
Decrease (increase) in cash in transit	16,288	(91,104)
Increase (decrease) in other liabilities	35,063	(53,047)
Decrease in contract liabilities	(46,297)	(13,077)
Decrease in trade and other payables	(271,025)	(42,445)
(Increase) decrease in amounts due from related parties	(7,713)	10,554
Increase in amounts due to related parties	22,474	2,365
Withdrawal of pledged bank deposits	2,450,362	1,754,453
Placement of restricted bank balances	(2,711,017)	(2,006,032)
Cash generated from operations	2,940,658	3,098,407
Income taxes paid	(160,015)	(121,452)
NET CASH FROM OPERATING ACTIVITIES	2,780,643	2,976,955

(continued)

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	NOTE	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
INVESTING ACTIVITIES			
Additions to and deposits paid for property, plant and equipment		(403,996)	(1,018,639)
Purchase of intangible assets		(20,261)	(8,192)
Purchase of financial assets at FVTPL		(340,000)	(39,000)
Refund of financial assets at FVTPL		4,632	1,343
Withdrawal of financial assets at FVTPL		1,000	100,000
Proceeds on disposal of property, plant and equipment and intangible assets		248,550	234,106
Advance to related parties		(25,612)	(299)
Collection of advance to related parties		10	3,488
Collection of advance to independent third parties		4,940	6,599
Advance to non-controlling interests		(3,900)	–
Collection of advance to non-controlling interests		–	100
Payment for prior year acquisition of subsidiaries		(105,301)	(2,040)
Acquisition of a subsidiary	23	(11,741)	–
Payments for rental deposits		–	(101)
Withdrawal of rental deposits		3,285	–
Disposal of subsidiaries		212	8,574
Proceeds on disposal of an associate		–	147
Dividends received from joint ventures		2,705	8,460
Dividends received from associates		8,342	15,000
Interest received		16,974	14,662
Investment income received from financial assets at FVTPL		39,145	–
Investment in associates		–	(196)
Placement of time deposits		(4,492)	(6,713)
Withdrawal of time deposits		316,790	38,600
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(268,718)</b>	<b>(644,101)</b>

(continued)

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	13,950,077	14,293,731
Repayment of borrowings	(15,767,714)	(13,699,008)
Proceeds from issue of medium term notes	370,000	–
Proceeds from issue of super short-term commercial papers	100,000	–
Repayment of super short-term commercial papers	–	(1,300,000)
Payment for transaction costs of issue of medium term notes	(1,110)	–
Payment for transaction costs of issue of super short-term commercial papers	(550)	(375)
Repayments of leases liabilities	(147,062)	(117,700)
Advance from related parties	19,370	810
Prepayment of advance from related parties	(5,320)	(2,760)
Proceeds of disposal of partial equity interests in subsidiaries without losing control	10,880	–
Capital injection by non-controlling interests	–	5,405
Acquisition of non-controlling interests	–	(4,561)
Advance from non-controlling interests	3,839	–
Repayment of advance from non-controlling interests	(7,760)	(4,087)
Interest paid	(307,237)	(298,851)
Placement of deposits to entities controlled by suppliers for borrowings	(26,074)	(35,556)
Withdrawal of deposits to entities controlled by suppliers for borrowings	81,745	70,509
Dividends paid as distribution	–	(413,717)
Dividends paid to non-controlling interests	(32,937)	(19,719)
Proceeds from exercise of share options	28,007	2,152
Proceeds from placement and subscription	908,689	–
Issue cost paid for the placement and subscription	(10,805)	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(833,962)</b>	<b>(1,523,727)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,677,963	809,127
CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH	2,210,423	2,056,208
CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH	3,888,386	2,865,335

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Save as disclosed below and other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2019.

### 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);

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Business combinations (continued)

- 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

### Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the Amendments to References to the conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

In addition, the Group has early applied the Amendment to IFRS 16 "COVID-19-Related Rent Concessions".

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Application of amendments to IFRSs (continued)

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

### 2.1. Impacts and accounting policies on early application of Amendment to IFRS 16 "COVID-19-Related Rental Concessions"

#### 2.1.1 Accounting policies

##### *Leases*

##### COVID-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

#### 2.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at January 1, 2020. The Group recognized changes in lease payments that resulted from rent concessions of RMB15,080,000 in the profit or loss for the current interim period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of revenue from contracts with customers

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Types of goods or services		
Sale of passenger vehicles:		
– Luxury and ultra-luxury brands (note a)	20,280,573	20,106,864
– Mid- to high-end brands (note b)	3,248,195	4,289,581
	<b>23,528,768</b>	24,396,445
Services		
– After-sales services	3,959,704	4,244,347
	<b>27,488,472</b>	28,640,792
<b>Geographical markets</b>		
Mainland China	27,488,472	28,640,792
<b>Timing of revenue recognition</b>		
A point in time	23,528,768	24,396,445
Over time	3,959,704	4,244,347
	<b>27,488,472</b>	28,640,792

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.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

### 3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

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

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

	For the six months ended June 30, 2020		For the six months ended June 30, 2019	
	Sale of passenger vehicles <i>RMB'000</i>	After-sales services <i>RMB'000</i>	Sale of passenger vehicles <i>RMB'000</i>	After-sales services <i>RMB'000</i>
<b>Revenue disclosed in segment information</b>				
External customers	<b>23,528,768</b>	<b>3,959,704</b>	24,396,445	4,244,347
Inter-segment	<b>52,123</b>	<b>1,856</b>	85,956	–
Total	<b>23,580,891</b>	<b>3,961,560</b>	24,482,401	4,244,347
<b>Eliminations</b>	<b>(52,123)</b>	<b>(1,856)</b>	(85,956)	–
<b>Revenue from contracts with customers</b>	<b>23,528,768</b>	<b>3,959,704</b>	24,396,445	4,244,347

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 3B. OPERATING SEGMENTS

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

**For the six months ended June 30, 2020**

	Passenger vehicle sales and services <i>RMB'000</i> (Unaudited)	Automobile rental services <i>RMB'000</i> (Unaudited)	Proprietary finance business <i>RMB'000</i> (Unaudited) <i>(note d)</i>	Elimination <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External revenue	27,488,472	243,043	218,534	–	27,950,049
Inter-segment revenue	53,979	5,818	4,413	(64,210)	–
Segment revenue <i>(note a)</i>	27,542,451	248,861	222,947	(64,210)	27,950,049
Segment cost <i>(note b)</i>	25,096,238	189,133	70,763	(68,107)	25,288,027
Segment gross profit	2,446,213	59,728	152,184	3,897	2,662,022
Service income	479,327	–	–	(4,615)	474,712
Segment result	2,925,540	59,728	152,184	(718)	3,136,734
Other income and other gains and losses <i>(note c)</i>					34,871
Distribution and selling expenses					(1,333,799)
Administrative expenses					(735,167)
Share of losses of joint ventures					(3,325)
Share of profits of associates					27,867
Finance costs					(370,935)
Profit before tax					756,246

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 3B. OPERATING SEGMENTS (continued)

For the six months ended June 30, 2019

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 3B. OPERATING SEGMENTS (continued)

Notes:

- a. The segment revenue of passenger vehicles sales and services for the six months ended June 30, 2020 was approximately RMB27,542,451,000 (for the six months ended June 30, 2019: RMB28,726,748,000) which included the sales revenue of passenger vehicles amounting to approximately RMB23,580,891,000 (for the six months ended June 30, 2019: RMB24,482,401,000) and the after-sales services revenue amounting to approximately RMB3,961,560,000 (for the six months ended June 30, 2019: RMB4,244,347,000).
- b. The segment cost of passenger vehicles sales and services for the six months ended June 30, 2020 was approximately RMB25,096,238,000 (for the six months ended June 30, 2019: RMB26,185,554,000) which included the cost of sales of passenger vehicles amounting to approximately RMB22,959,057,000 (for the six months ended June 30, 2019: RMB23,897,552,000) and the cost of after-sales services amounting to approximately RMB2,137,181,000 (for the six months ended June 30, 2019: RMB2,288,002,000).
- c. The amount excludes the service income generated from the passenger vehicle sales and services segment, which is included in the segment result above.
- d. The segment revenue of proprietary finance business mainly includes finance leasing and small loan services. The segment cost of proprietary finance business is mainly composed of finance costs.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 4. OTHER INCOME/OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other income comprises:		
Service income (note a)	474,712	526,811
Government grants (note b)	12,992	10,481
Interest income on bank deposits	13,692	14,192
Interest income from a related party (Note 24)	1,728	1,728
Others	478	115
	<b>503,602</b>	553,327
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment	22,161	5,017
(Loss) gain on fair value change of financial assets at FVTPL	(10,255)	21,966
Net foreign exchange (losses) gains	(26,533)	47,008
(Provision) reversal of impairment of loan receivables	(1,025)	1,564
(Provision) reversal of impairment of finance lease receivables	(2,432)	738
Net gains (losses) on changes in fair value of derivative financial instruments	26,404	(47,955)
Others	(2,339)	(1,399)
	<b>5,981</b>	26,939
<b>Total</b>	<b>509,583</b>	580,266

Notes:

- Service income was primarily related to agency income derived from distribution of automobile insurance products and automobile financial products in the PRC.
- Government grants represent unconditional grants received from local finance bureaus in compensation for expenses incurred by the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 5. FINANCE COSTS

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interests on:		
– bank loans	260,880	195,960
– other borrowings from entities controlled by suppliers	23,678	23,134
– reimbursement to suppliers (note a)	26,407	38,338
– super short-term commercial papers (Note 17)	638	30,684
– medium-term note (Note 18)	5,131	–
– corporate bonds	–	39,000
– lease liabilities	56,299	46,997
Release of capitalized transaction cost in relation to issue of super short-term commercial papers (Note 17)	130	1,710
Release of capitalized transaction cost in relation to issue of corporate bonds	–	3,347
Release of capitalized transaction cost in relation to issue of medium-term note (Note 18)	318	–
Less: interest capitalized (note b)	(2,546)	(2,634)
	<b>370,935</b>	<b>376,536</b>

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 the purchase of new passenger vehicles.
- b. Borrowing costs capitalized during the year arose from the general borrowing pool and are calculated by applying a capitalization rate of 6.28% (2019: 5.81%) per annum to expenditure on qualifying assets.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	756,281	716,630
Retirement benefits scheme contributions	29,718	73,408
Share-based payment expenses	13,050	10,958
<b>Total staff costs</b>	<b>799,049</b>	800,996
Depreciation of property, plant and equipment	371,960	304,456
Depreciation of right-of-use assets	139,422	121,431
Amortization of intangible assets	30,484	22,190
COVID-19-related rent concessions	(15,080)	–

## 7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	229,318	250,759
Under provision of PRC EIT in prior years	1,764	3,357
	<b>231,082</b>	254,116
Deferred tax		
Current period (credit) charge	(46,552)	19,989
	<b>184,530</b>	274,105

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 7. INCOME TAX EXPENSE (continued)

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

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries, 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 December 31, 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 condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 8. DIVIDENDS

During the current interim period, a special dividend of HK\$0.27 (equivalent to RMB0.247) per share was declared on June 18, 2020 and paid in July 2020 to the owners of the Company in Hong Kong dollars (the "HK\$"). The aggregate amount of the special dividend declared in the interim period amounted to approximately RMB486,454,000.

The board of directors of the Company has determined that no dividend will be paid in respect of the interim period for the six months ended June 30, 2020 (for the six months ended June 30, 2019: nil).

## 9. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	529,965	734,132
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,847,624	1,838,434
Effect of dilutive potential ordinary shares:		
Share options	6,516	3,905
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,854,140	1,842,339



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

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

### Property, plant and equipment

During the current interim period, the Group acquired property, plant and equipment of approximately RMB478,650,000 (for the six months ended June 30, 2019: RMB945,983,000) including approximately RMB11,325,000 from business acquisition of a subsidiary for business expansion.

During the current interim period, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB222,634,000 (for the six months ended June 30, 2019: RMB226,454,000) for cash proceeds of approximately RMB244,795,000 (for the six months ended June 30, 2019: RMB231,471,000), resulting in a gain on disposal of approximately RMB22,161,000 (for the six months ended June 30, 2019: RMB5,017,000).

In addition, during the current interim period, the Group paid nil (for the six months ended June 30, 2019: RMB14,587,000) as deposits for acquisition of property, plant and equipment for business expansion.

### Right-of-use assets

During the current interim period, the Group entered into some new lease agreements for the use of operation range 18 months to 20 years. On lease commencement, the Group recognized approximately RMB179,154,000 (six months ended June 30, 2019: RMB51,481,000) of right-of-use assets and approximately RMB177,724,000 (six months ended June 30, 2019: RMB48,548,000) lease liabilities.

During the current period, the Group were not allowed to resume operations until mid-February and had to temporarily close its stores in order to contain the spread of the COVID-19. Lessors of the relevant stores provided rent concessions to the Group through rent reductions ranging from 50% to 100% over one to three months.

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Leased properties	1,701,727	1,638,744
Leasehold land	1,370,979	1,394,230
	<b>3,072,706</b>	3,032,974

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 11. FINANCE LEASE RECEIVABLES

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Analyzed as:		
Current	2,361,073	2,193,384
Non-current	812,825	1,385,578
	<b>3,173,898</b>	3,578,962

	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Finance lease receivables comprise:				
Within one year	2,543,689	2,366,534	2,361,073	2,193,384
In more than one year but not more than two years	854,233	1,005,465	739,490	862,543
In more than two years but not more than five years	101,586	574,236	83,986	531,254
	<b>3,499,508</b>	3,946,235	<b>3,184,549</b>	3,587,181
Less: unearned finance income	(314,959)	(359,054)	N/A	N/A
Less: allowance for impairment loss under expected credit loss ("ECL") model	(10,651)	(8,219)	(10,651)	(8,219)
Present value of minimum lease payment receivables	<b>3,173,898</b>	3,578,962	<b>3,173,898</b>	3,578,962

As at June 30, 2020, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB29,553,000 (2019: RMB31,961,000) and RMB82,498,000 (2019: RMB45,027,000) were recognized as other non-current liabilities and current liabilities, respectively (Note 15).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

### 12. LOAN RECEIVABLES

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Guaranteed but unsecured loans	104,363	193,067
Secured but unguaranteed loans	95,291	165,054
Gross loan receivables	199,654	358,121
Less: allowances for impairment losses under ECL model	(4,239)	(3,214)
Net loan receivables	195,415	354,907
Analyzed as:		
Current	185,643	321,551
Non-current	9,772	33,356
	195,415	354,907

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

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

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Fixed-rate loan receivables:		
Within one year	185,643	321,551
In more than one year but not more than two years	9,772	28,708
In more than two years but not more than three years	-	4,648
	195,415	354,907

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 13. INVENTORIES

	<b>June 30, 2020</b>	December 31, 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Motor vehicles	<b>4,870,558</b>	5,068,922
Spare parts and accessories	<b>533,721</b>	557,881
	<b>5,404,279</b>	5,626,803

## 14. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

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

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
<b>Current</b>		
Trade receivables	1,080,021	995,924
Bill receivables	371	230
	<b>1,080,392</b>	996,154
Prepayments and other receivables comprise:		
Prepayments and deposits to suppliers	1,557,452	2,209,191
Deposits to entities controlled by suppliers for borrowings	177,262	181,131
Prepayments and rental deposits on properties	52,825	44,064
Rebate receivables from suppliers	2,008,951	2,454,664
Interest receivables	2,320	3,874
Finance and insurance commission receivables	208,261	187,215
Staff advances	27,942	17,758
Value-added tax recoverable	368,618	454,151
Advances to non-controlling interests (note a)	39,200	35,300
Advances to independent third parties (note a)	10,983	15,923
Receivables from former shareholders of acquired subsidiaries	66,728	66,728
Others	212,430	187,267
Less: allowance for impairment losses under ECL model	(6,420)	(6,420)
	<b>4,726,552</b>	5,850,846
	<b>5,806,944</b>	6,847,000
<b>Non-current</b>		
<b>Other assets</b>		
Advances to non-controlling interests (note b)	30,000	30,000

Notes:

- a. The balances were unsecured, interest-free and repayable on demand.
- b. The balance carried at a fixed interest rate of 4.9% per annum (2019: 4.9%), which was payable upon the maturity with a credit term of 5 years.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

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

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

	<b>June 30, 2020 RMB'000 (Unaudited)</b>	December 31, 2019 RMB'000 (Audited)
0 to 90 days	<b>1,080,392</b>	996,154

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 15. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
<b>Current</b>		
Trade payables	881,677	694,997
Bills payables	4,859,224	5,372,084
	<b>5,740,901</b>	6,067,081
<b>Other payables</b>		
Other tax payables	189,466	157,795
Payable for acquisition of property, plant and equipment	41,040	43,341
Salary and welfare payables	150,127	83,154
Accrued interest	53,072	46,120
Accrued audit fee	2,200	4,960
Consideration payables for acquisition of subsidiaries ( <i>note</i> )	122,859	228,160
Advance from non-controlling interests ( <i>note</i> )	79,981	83,902
Dividend payable to non-controlling interests	1,279	1,976
Deposits received from customers under finance leases ( <i>Note 11</i> )	82,498	45,027
Other accrued expenses	121,061	116,422
Others	238,587	192,596
	<b>1,082,170</b>	1,003,453
	<b>6,823,071</b>	7,070,534
<b>Non-current</b>		
<b>Other liabilities</b>		
Deposits received from customers under finance leases ( <i>Note 11</i> )	29,553	31,961

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

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

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

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
0 to 90 days	5,145,444	4,404,167
91 to 180 days	595,457	1,662,914
	<b>5,740,901</b>	6,067,081

## 16. BORROWINGS

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Bank loans	8,841,956	11,158,344
Other borrowings	2,250,365	1,693,639
	<b>11,092,321</b>	12,851,983
Secured borrowings, by the Group's assets	3,219,022	2,775,486
Unsecured borrowings	7,873,299	10,076,497
	<b>11,092,321</b>	12,851,983
Unguaranteed borrowings	<b>11,092,321</b>	12,851,983
Fixed-rate borrowings	10,569,321	12,054,433
Variable-rate borrowings	523,000	797,550
	<b>11,092,321</b>	12,851,983



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 16. BORROWINGS (continued)

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	8,365,523	10,129,408
More than one year, but not exceeding two years	2,706,886	–
More than two years, but not exceeding five years	19,912	2,722,575
	<b>11,092,321</b>	12,851,983
Less: amounts due within one year shown under current liabilities	<b>(8,365,523)</b>	(10,129,408)
	<b>2,726,798</b>	2,722,575

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at June 30, 2020 ranged from 3.25% to 6.09% (2019: 3.46% to 6.09%) per annum.

At the end of the reporting period, other borrowings (i) are of a term less than one year; (ii) have an interest-free period, ranging 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.

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Right-of-use assets		
– leasehold land	164,652	167,594
Property, plant and equipment (buildings and motor vehicles)	120,082	129,283
Inventories	1,333,940	1,198,342
	<b>1,618,674</b>	1,495,219

As at June 30, 2020, the Group has also pledged its equity interests in a subsidiary with a carrying amount of RMB492 million (2019: RMB1,298 million) for bank borrowings obtained.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 17. SUPER SHORT-TERM COMMERCIAL PAPERS

On May 20, 2019, 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 RMB2 billion. According to the Notice, the registered amount is effective for two years commencing from the date of issue of the Notice.

On April 23, 2020, Shanghai Yongda Investment issued a tranche of the super short-term commercial papers, with an aggregate principal amount of RMB100 million, which are repayable within 270 days from the date of issuance. The super short-term commercial papers are unsecured and carry interest at a rate of 3.59% per annum. The interest is payable upon maturity. The super short-term commercial papers were issued to domestic institutional investors in the PRC which are independent third parties. The net proceeds from the issue of the super short-term commercial papers are intended to be used for repayment of existing debts of the Company.

Movement of the super short-term commercial papers during the six months ended June 30, 2020 was as follows:

	<i>RMB'000</i>
Issued on April 23, 2020	100,000
Less: capitalized transaction costs in relation to issuance	(550)
Add: interest expense – amortization of transaction costs	130
	<hr/>
At June 30, 2020	99,580

## 18. MEDIUM-TERM NOTE

On March 17, 2020, Shanghai Yongda Investment issued a medium-term note, with an aggregate registered amount of RMB370 million, which is repayable within three years from the date of issuance.

The medium-term note is unsecured and carries interest at a rate of 4.8% per annum. The interest is payable annually. The medium-term note was issued to domestic institutional investors in the PRC which are independent third parties. The net proceeds from the issue of the medium term notes are intended to be used for repayment of bank loans.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 18. MEDIUM-TERM NOTE (continued)

Movement of the medium-term note during the six months ended June 30, 2020 was as follows:

	<i>RMB'000</i>
Issued on March 17, 2020	370,000
Less: capitalized transaction costs in relation to issuance	(3,330)
Add: interest expense – amortization of transaction costs	318
At June 30, 2020	366,988

## 19. SHARE CAPITAL

	Number of shares '000	Amount <i>RMB'000</i>
Ordinary shares of HK\$0.01 each		
Authorized:		
As at January 1, 2019 (audited), June 30, 2019 (unaudited), January 1, 2020 (audited) and June 30, 2020 (unaudited)	2,500,000	25,000

	Number of shares '000	Amount <i>HK\$'000</i>	Shown in financial statements as <i>RMB'000</i>
Issued and fully paid:			
At January 1, 2020 (audited)	1,840,017	18,400	15,080
Exercise of share options (Note 20)	8,099	81	73
Placement and subscription ( <i>note</i> )	120,000	1,200	1,094
At June 30, 2020 (unaudited)	1,968,116	19,681	16,247

*Note:* On June 23, 2020, 120,000,000 new subscription shares of the Company were allotted and issued to institutional investors at HK\$8.29 per subscription share. The net proceeds from the subscription were RMB897,884,000 and the issue costs were RMB10,805,000. The net proceeds are for further expansion of the Group's dealership network.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 20. SHARE-BASED COMPENSATION

### (a) Share Option Scheme

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

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted must be taken up within 28 days from the date of grant, upon payment of RMB1.00. 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.

The share options will be vested in three tranches, the first 1/3 from the first anniversary after the date of grant, the second 1/3 from the second anniversary after the date of grant and the remaining from the third anniversary after the date of grant.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the six months ended June 30, 2020 and 2019:

	Grant date	Exercised price (HK\$)	Outstanding	Granted during the period	Number of options exercised during the period (Note 19)	Lapsed during the period	Outstanding
			as at January 1, 2020				as at June 30, 2020
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	-	(1,400,000)	-	1,000,000
Employees and other grantees	July 26, 2016	3.78	9,294,500	-	(6,232,950)	-	3,061,550
	June 19, 2017	8.14	8,941,000	-	(66,000)	-	8,875,000
			21,235,500	-	(8,098,950)	-	13,136,550
Option exercisable			15,969,000				11,370,000
Weighted average exercise price (HK\$)			5.62	-	3.82	-	6.73

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 20. SHARE-BASED COMPENSATION (continued)

### (a) Share Option Scheme (continued)

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

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise is HK\$8.25 (2019: HK\$6.93).

The Group recognized an expense of approximately RMB2,500,000 for the six months ended June 30, 2020 in relation to the share options granted by the Company under the Share Option Scheme (for the six months ended June 30, 2019: RMB2,092,000).

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

The Company's employee pre-IPO incentive scheme was adopted by the Company on April 3, 2012 (the "Employee Pre-IPO Incentive Scheme") for the primary purpose of recognition of the contributions of the beneficiaries under the Employee Pre-IPO Incentive Scheme and to incentivize them. Under the Employee Pre-IPO Incentive Scheme, the board of directors of the Company may make cash awards to eligible employees, including directors (other than independent non-executive directors) of the Company and its subsidiaries. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 20. SHARE-BASED COMPENSATION (continued)

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

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

During the current interim period, awards of approximately 2,735,000 restricted shares have been granted 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
Year 2020	2,735	5 years	20,207

The fair value of the restricted shares awards were determined based on the market value of the Company’s shares at the grant date.

The Group recognized an expense of approximately RMB10,550,000 for the six months ended June 30, 2020 in relation to such awards made by the Company under the Amended Scheme (for the six months ended June 30, 2019: RMB8,866,000).

## 21. CAPITAL COMMITMENTS

	June 30, 2020 RMB’000 (Unaudited)	December 31, 2019 RMB’000 (Audited)
Capital expenditure in respect of acquisition of – property, plant and equipment contracted for but not provided	65,350	97,563

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value measurements and valuation processes

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)		
Financial assets at FVTPL	<b>Fund instruments: RMB262,585</b> <i>(note)</i>	Fund instruments: Level 1 RMB1,000	Level 1	Determined based on the fair value of underlying investments which are quoted in active markets
Financial assets at FVTPL	<b>Listed securities: RMB3,594</b>	Listed securities: Level 1 RMB5,579	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL	<b>Unquoted equity instruments: RMB359,331</b>	Unquoted equity instruments: Level 3 RMB333,963	Level 3	Share of the net asset values of the financial asset, determined with reference to the fair values of underlying assets and liabilities and adjustments of related expenses, if any.
Equity investments at FVTOCI	<b>Listed securities: RMB14,886</b>	Listed securities: Level 1 RMB10,658	Level 1	Quoted bid prices in an active market

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

*Note:* In the interim period, the Group entered into several contracts to purchase fund units (the "Fund") with financial institutions. The entire contracts have been accounted for financial assets at FVTPL on initial recognition. As at June 30, 2020, the fair value of the Fund is RMB262,585,000 (December 31, 2019: RMB1,000,000) per the investment statement of the financial institution. The fair value change in the amount of RMB47,415,000 (2019: nil) was recognised in profit or loss in the current period.

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL RMB'000
At January 1, 2020 (Audited)	333,963
Purchases	30,000
Disposal	(4,632)
<hr/>	
At June 30, 2020 (unaudited)	359,331

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

## 23. ACQUISITION OF A SUBSIDIARY

### Acquisition of Nanning BMW 4S dealerships

In January, 2020, the Group acquired 100% equity interest of a subsidiary from an independent third party for total cash consideration of RMB12.17 million, which comprise a BMW 4S dealership to expand the Group's dealership network.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 23. ACQUISITION OF A SUBSIDIARY (continued)

### Acquisition of Nanning BMW 4S dealerships (continued)

Aggregate assets acquired and liabilities assumed of the entity operating on the acquisition date (determined on provisional basis) are as follows:

	<i>RMB'000</i>
Property, plant and equipment	11,325
Right-of-use assets	16,436
Other intangible assets	11,000
Inventories	27,849
Trade and other receivables	26,617
Bank balances and cash	430
Trade and other payables	(41,221)
Borrowings	(31,571)
Deferred tax liabilities	(2,750)
Lease liabilities	(16,436)
<b>Net assets acquired</b>	<b>1,679</b>
<b>Goodwill</b>	<b>10,492</b>
<b>Consideration transferred</b>	<b>12,171</b>
Satisfied by:	
Cash	12,171
<i>Net cash outflow arising on acquisition:</i>	
Bank balances and cash acquired	430
Consideration paid	(12,171)
	<b>(11,741)</b>

As of June 30, 2020, the Company is still in the process of evaluating the purchase price allocation for the business acquisition, and therefore, goodwill of RMB10.5 million was recognized based on the preliminary assessment of management which may be subject to adjustment upon the completion of the evaluation.

Acquisition-related costs recognized as an expense in the current interim period were insignificant.

Included in the Group's profit for the six months ended June 30, 2020 is RMB1,740,000 attributable to the subsidiary acquired since the acquisition date. Group's revenue for the six months ended June 30, 2020 includes RMB145,956,000 generated from the subsidiary.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 24. RELATED PARTY DISCLOSURES

### I. Amounts due from related parties

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
<b>Current</b>		
<b>Joint ventures held by the Group</b>		
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda")	126,550	102,373
Ryde 88 Pty Limited ( <i>note c</i> )	40,666	38,927
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong")	228	–
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda")	153	190
<b>Associates held by the Group</b>		
Shanghai Shenbei Lexus Car Sales Co., Ltd. ("Shenbei Lexus")	13,972	7,510
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	575	2,835
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd.	470	–
Sichuan Yongzhida Second-Hand Car Sales Co., Ltd. ("Sichuan Yongzhida")	–	3
<b>Entities controlled by the shareholders</b>		
Shanghai Yongda Group Company Limited	–	142
Shanghai Yongda Greening Co., Ltd.	–	153
Shanghai Yongda Food & Leisure Co., Ltd.	–	1
	<b>182,614</b>	152,134
Analyzed as:		
Trade-related ( <i>note a</i> )	18,655	10,942
Non trade-related ( <i>note b</i> )	163,959	141,192
	<b>182,614</b>	152,134

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 24. RELATED PARTY DISCLOSURES (continued)

### I. Amounts due from related parties (continued)

Notes:

- The Group offers at its discretion certain related parties a credit period up to 90 days.
- The balances are interest-free, unsecured and repayable on demand.
- The balance is an AU\$-denominated and unsecured loan of principal amounting to AU\$6,000,000 with original 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.

### II. Amounts due to related parties

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
<b>Joint ventures held by the Group</b>		
Shanghai Bashi Yongda	32,899	138
Shanghai Yongda Changrong	528	636
Harbin Yongda	-	20
<b>Associates held by the Group</b>		
Sichuan Yongzhida	4,574	2,008
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile")	750	-
Shenbei Lexus	472	-
Shanghai Oriental Yongda	110	4
<b>Entities controlled by the shareholders</b>		
Shanghai Yongda Group Company Limited	-	3
	<b>39,333</b>	2,809
Analyzed as:		
Trade-related (note a)	23,759	1,285
Non trade-related (note b)	15,574	1,524
	<b>39,333</b>	2,809

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 24. RELATED PARTY DISCLOSURES (continued)

### II. Amounts due to related parties (continued)

Notes:

- a. A credit period of not exceeding 90 days is granted to the Group by the related parties.
- b. The balances are interest-free, unsecured and payable on demand.

### III. Related party transactions

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>a) Sales of motor vehicles</b>		
Anhui Jiajia Yongda Automobile Sales Co., Ltd.	17,506	2,296
Shanghai Bashi Yongda	1,593	3,007
Shanghai Yongda Changrong	125	–
	<b>19,224</b>	5,303

#### **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 RMB334,353,000 and RMB559,549,000 for the six months ended June 30, 2020 and 2019, respectively. A commission of approximately RMB3,200,000 and RMB4,900,000 was paid to Shanghai Oriental Yongda for the marketing and promotional activities it carried out for the Group for the six months ended June 30, 2020 and 2019, respectively.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 24. RELATED PARTY DISCLOSURES (continued)

### III. Related party transactions (continued)

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>b) Purchase of motor vehicles</b>		
Shanghai Yongda Changrong	1,295	2,134
Shanghai Bashi Yongda	–	5,432
	<b>1,295</b>	<b>7,566</b>
<b>c) Sales of spare parts</b>		
Shanghai Bashi Yongda	1,357	–
Shanghai Yongda Changrong	404	434
	<b>1,761</b>	<b>434</b>
<b>d) Purchase of spare parts</b>		
Shanghai Bashi Yongda	1,947	–
<b>e) Rental expenses paid to:</b>		
<b>Joint ventures held by the Group</b>		
Harbin Yongda	1,102	1,000
<b>Associate held by the Group</b>		
Shanghai Yongda Fengdu Automobile	3,440	1,900
<b>Entities controlled by the shareholders</b>		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd. and Shanghai Yongda Property Development Co., Ltd.	14,809	15,783
	<b>19,351</b>	<b>18,683</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

## 24. RELATED PARTY DISCLOSURES (continued)

### III. Related party transactions (continued)

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>f) Compensation of key management personnel:</b>		
Short-term benefits	3,991	5,427
Post-employment benefits	61	313
Share-based payments	2,473	2,276
	<b>6,525</b>	8,016

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