YONDA 永达汽车

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code：03669

ANNUAL REPORT 2020


上海宝诚中环
BMW
YONDA YONGDA AUTO
PORSCHE
YONDA YONGDA AUTO

CONTENT

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Mr. WANG Liqun

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

CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5708, 57/F, The Center
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REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
One Nexus Way
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LEGAL ADVISERS TO HONG KONG LAW

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
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JOINT COMPANY SECRETARIES

Ms. ZHANG Hong
Ms. SO Ka Man *(FCS(PE), FCG)*

AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao
Ms. SO Ka Man

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
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Hong Kong

STOCK CODE

03669

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

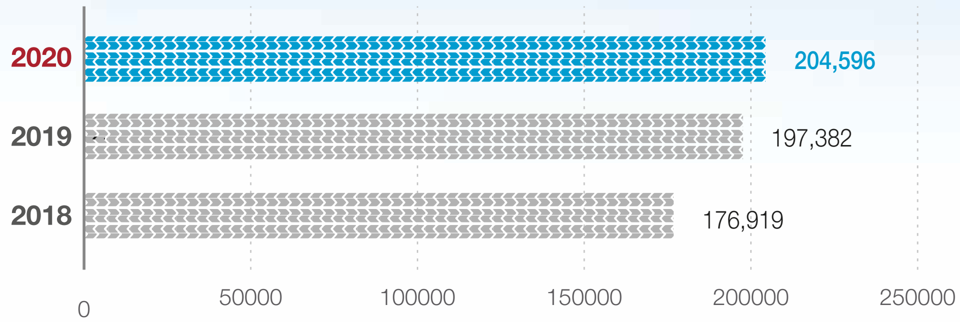
COMPANY WEBSITE

www.ydauto.com.cn

Financial Highlights

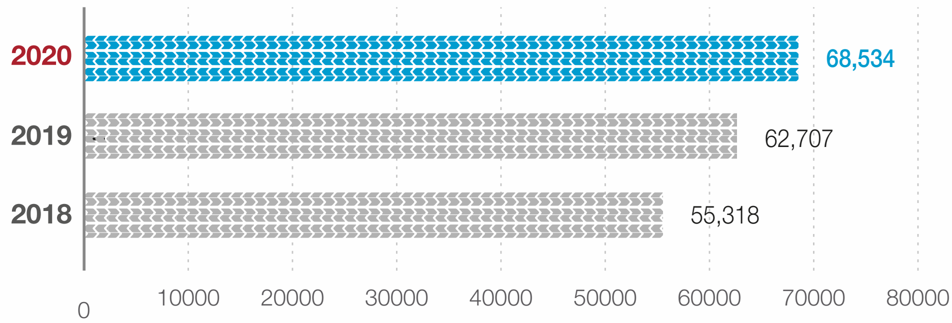
Passenger vehicles sales volume

Sales volume of passenger vehicles (units)



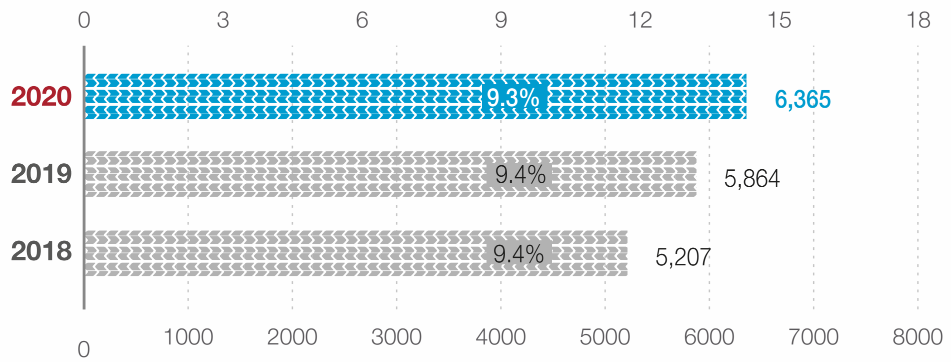
Revenue

RMB million



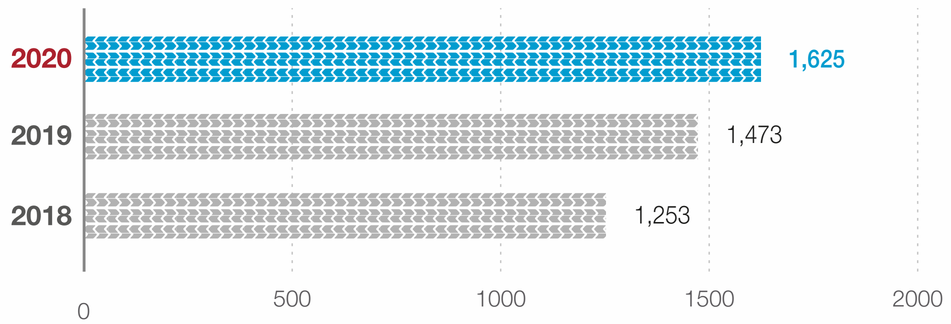
Gross profit and gross profit margin

RMB million



Profit attributable to owners of the Company

RMB million



Chairman's Statement

Dear Shareholders,

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

In 2020, affected by the COVID-19 pandemic, sales market of passenger vehicles in China as a whole showed a trend of first decline and then rise. According to the data from China Association of Automobile Manufacturers, the sales volume of new luxury vehicles reached 3.44 million units in the year, which was stronger than the overall passenger vehicles market, with a year-on-year increase of 9.8%. Affected by the favorable national automobile-related consumer policies and the strong demand from the upgrading of domestic automobile consumption, it is expected that the luxury vehicles market will continue to maintain a good growth trend in 2021.

In 2020, the comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services of the Group amounted to RMB69,633 million and RMB7,464 million respectively, representing an increase of 9.1% and 7.3% respectively compared to 2019. Our net profit and net profit attributable to owners of the Company amounted to RMB1,733 million and RMB1,625 million respectively, representing an increase of 10.5% and 10.3% respectively compared to 2019.

Chairman's Statement

In 2020, our basic earnings per share was RMB0.85, representing an increase of 6.3%. The Company proposed to distribute a dividend of RMB0.288 per share (subject to the shareholders' approval at the forthcoming annual general meeting), and the dividend payout ratio increased to 35%, representing an increase of two percentage points compared to 2019.

KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD

1. In 2020, our sales volume of new vehicles was 204,596 units, representing an increase of 3.7% over the same period in 2019; our sales revenue from new vehicles reached RMB58,229 million, representing an increase of 10.0% compared with the same period of 2019.

   In the second half of 2020, our sales volume of new vehicles was 122,622 units, representing an increase of 19.5% over the same period in 2019; our sales revenue from new vehicles reached RMB34,648 million, representing an increase of 21.8% compared with the same period of 2019.

In 2020, the gross profit margin of our new vehicle sales was 2.67%, representing an increase of 0.32 percentage points compared with the same period of 2019. The turnover day of our new vehicle was 30.4 days, representing a decrease of 6.1 days compared to the same period in 2019.

2. In 2020, our after-sales service business, including maintenance services and automobile extended products and services, reached a revenue of RMB9,576 million, representing an increase of 7.6% over the same period in 2019. The gross profit margin of our after-sales service remained stable.

3. In 2020, the sales volume of pre-owned vehicles for which we acted as an agent was 52,280 units, representing a year-on-year increase of 26.6%. The gross profit of pre-owned vehicles was RMB174.96 million, representing a year-on-year increase of 27.3%.

4. In 2020, we newly opened 9 passenger vehicles sales and service outlets of luxury and ultra-luxury brands, including 1 Porsche 4S dealership, 4 BMW 4S dealerships, 1 Lexus 4S dealership, 1 Aston Martin 4S dealership, 1 Volvo showroom and 1 Infiniti 4S dealership. At the same time, we successfully completed the acquisition of 7 BMW 4S dealerships in Yunnan, Sichuan and Guangxi; completed the acquisition of a minority interest in 2 Porsche 4S dealerships in Jiangsu. We continue to pay attention to the development of authorized agents of new energy brands. In 2020, we newly opened 4 sales and service outlets, including 2 WM Motor 4S dealerships, 1 Xiaopeng 4S dealership and 1 Tesla metal painting center.

5. The Group always keeps pace with the times in improving its operation and management. The Group continues to innovate marketing channels and actively promotes the construction of new media marketing channel; the Group rapidly advances digitalization construction and achieves continuous improvement of internal management and operational efficiency; the Group continues to strengthen the training of young talents, especially the ones after the 90s and continuously improves the Group's sustainable competitiveness.

FUTURE PROSPECTS

The Group believes that, the domestic passenger vehicle market has huge potential, 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; with the rapid growth of overall ownership, especially the luxury vehicles ownership, the aftermarket service business will maintain a good long-term growth trend; based on policy guidance, the new energy and pre-owned vehicle business will be the new growth point in the future, and the overall market has a lot of room for growth.

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

1. We insist on focusing on the development direction of the main business of vehicles sales and service, especially continuous improvement in the field of luxury vehicles brands, and regard sustainable high growth as the strategic goal of long-term business management of the Company;

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;

3. We will enhance the layout in the new energy automobile industry. We will enhance strategic cooperation with emerging and independent new energy brand automobile factories, focusing on the development of innovative business cooperation models; actively study future business opportunities in the new energy service industry chain, and conduct business layout in advance; and proactively implement relevant talent training and reserve work based on the development trend of the new energy industry. We will actively promote the expansion and development of new energy as an independent business sector;

4. Facing favorable policies and market opportunities for pre-owned vehicles, we will actively promote the transformation of the pre-owned vehicles economy into dealership business model, strengthen the scale of retail business and profitability improvement, and create and enhance the market influence of the Yongda brand of pre-owned vehicles;

5. We will focus on strengthening the empowerment of the agency financial business in the full life cycle business scenarios of customers such as new vehicles, services and pre-owned vehicles, and continuously improve the profitability of extended business. Meanwhile, we will constantly improve the operating efficiency and focus on retail quality, inventory turnover speed and continuously promotion of after-sales service absorption rate;

6. We will continue to explore new media marketing innovations, continue to promote the expansion of new media marketing channels, continue to optimize and improve new media marketing content, influencer matrix building and fan cultivation, etc., to achieve the creation of a cross-business and cross-brand private domain traffic system within the Group;

7. We will strengthen the digital construction of customer operations, further improve the construction of internal digital management systems, continue to implement the application of customer interface digital tools such as smart retail, push ahead excellent management projects of users' value of the Group, and strive to achieve comprehensive customer digital operation;

8. We will strengthen team building, actively promote the training of young management teams represented by post-90s core management personnel and post-95 core technicians; attract and retain outstanding young talents through diversified incentive mechanisms, and fully mobilize the enthusiasm of core management, persist in reform and innovation so as to 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

March 16, 2021

Management Discussion & Analysis

MARKET REVIEW

According to the information of China Association of Automobile Manufacturers, affected by the COVID-19 pandemic (the "**Pandemic**") in 2020, the overall sales volume of passenger vehicles was 20.178 million units in 2020, representing a year-on-year decrease of 6.0%. Starting from the second quarter, with the control of the Pandemic, the strong recovery of household consumption and the influence of local policy support, domestic automobile consumption has gradually increased. In the second half of the year, overall sales volume of passenger vehicles reached 12.305 million units, an increase of 8.9% over the same period of last year. Among them, the sales of luxury vehicles are still stronger than that of the overall market. According to the information on the registration data, the total sales volume of new luxury vehicles in the year reached 3.44 million units, representing a year-on-year increase of 9.8%. Major luxury brands achieved rapid growth. Among them, BMW increased by 5.8% year-on-year, Audi increased by 6.7% year-on-year, and Mercedes-Benz increased by 9.0% year-on-year. Other luxury brands such as Porsche, which are mainly imported cars, maintained a good year-on-year growth trend despite the impact of the Pandemic. It is expected that in 2021, 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 2021.

According to the data from China Association of Automobile Manufacturers, the sales of new energy vehicles in 2020 increased by 10.9% year-on-year to 1.367 million units, of which pure electric vehicles accounted for 81.6%. New vehicle manufacturers and traditional brands have launched brand new new energy vehicles, which have greatly improved the quality and applicability of new energy vehicles, and further supplemented and expanded the overall market share of luxury vehicles. In terms of new energy brands, in addition to leading new energy vehicle manufacturers, existing traditional vehicle brands have also launched competitive new energy sub-brands. It is expected that with the continuous maturity of the market and technology, the cost of manufacturing will continue to decrease, and mainstream vehicle manufacturers will launch more competitive new energy vehicles, and the market competition for new energy vehicles will become fiercer.

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 14.341 million units in 2020, representing a year-on-year decrease of 3.9%, among which, the transaction volume of pre-owned vehicles in China was 8.825 million units in the second half of the year, representing an increase of 9.5% compared to the same period in 2019. The average transaction price of pre-owned vehicles in China in 2020 was RMB62,000, while vehicles with an age of less than 6 years accounted for 61.7% of the total transaction volume. In April 2020, 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, 2020, 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 preowned vehicles business model, the pre-owned vehicles trade market in the PRC still has relatively large room of development in the future.

Management Discussion & Analysis

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 2020, the motor vehicle ownership in China reached 370 million units, of which 280 million are automobiles, and in terms of cities, the number of cities where the motor vehicle ownership exceeded 1 million units was 70 in total, an increase of 4 cities compared with the same period last year. Among them, there were 31 cities where the motor vehicle ownership exceeded 2 million units and 13 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.

BUSINESS REVIEW

In 2020, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services amounted to RMB69,633 million and RMB7,464 million respectively, representing an increase of 9.1% and 7.3% respectively compared with that of 2019, and our net profit and net profit attributable to owners of the Company amounted to RMB1,733 million and RMB1,625 million respectively, representing an increase of 10.5% and 10.3% respectively compared with that of 2019.

Our inventory turnover days for the year of 2020 have been significantly reduced to 30.8 days from 36.8 days in 2019. At the same time, our inventory turnover days in 2020 gradually improved. Inventory turnover days have been reduced to 25.4 days in the second half of 2020.

Set forth below is a summary of our business development in 2020:

Rapid Growth in New Vehicle Sales Business

In 2020, our sales volume of new vehicles was 204,596 units, increased by 3.7% year-on-year over 2019. In the second half of the year, with the improvement of the Pandemic, our business operations gradually recovered, our sales volume of new vehicles increased by 19.5% over the same period of 2019 to 122,622 units. Our sales volume of new vehicles of luxury brands increased by 14.6% over the same period last year to 77,545 units. Among them, the sales volume of the BMW and Porsche brands increased by 15.9% and 19.3% respectively over the same period last year, both have achieved a higher growth rate than that of the market. With the strong growth trend of the domestic luxury brand consumption market, our sales scale will also be further expanded.

In 2020, our sales revenue from new vehicles reached RMB58,229 million, representing a year-on-year increase of 10.0% compared with 2019, of which sales revenue from new vehicles in the second half of year was RMB34,648 million, representing an increase of 21.8% over the same period of 2019. By continuing to leverage the advantages of the luxury brand structure, we achieved a steady increase in sales revenue from new vehicles. In the second half of the year, the sales revenue from luxury brand new vehicles increased by 21.3% to RMB28,634 million, of which, sales revenue from new vehicles of the BMW and Porsche brands increased by 18.4% and 29.9% respectively over the same period of 2019.

In 2020, the gross profit margin of our new vehicle sales was 2.67%, representing a year-on-year increase of approximately 0.32 percentage points compared with 2019. By further expanding retail scale, improving retail quality, and promoting communication and cooperation with manufacturers, we have maximized business policy supports. At the same time, we carried out benchmarking evaluation and tracking management with the comprehensive gross profit of sales as the core, which promoted the continuous improvement of the comprehensive profitability of each vehicle.

In 2020, the turnover day of our new vehicle was 30.4 days, a reduction of 6.1 days year-on-year compared to 2019, of which, the turnover day of our new vehicle was 25.0 days in the second half of the year, a decrease of 5.5 days compared to the same period in 2019. By strengthening the forecast analysis of the sales supply and demand plan, we have improved order matching and order depth, ensured that the inventory structure is continuously optimized and in line with market demand. At the same time, through the management and assessment of the amount occupied by the inventory, and the strengthening of the refined management of the purchase end and the sales end, the delivery cycle of vehicles has been effectively shortened, and the efficiency of inventory turnover has been greatly improved.

Steady Growth in After-sales Services

In 2020, our after-sales service business, including repair and maintenance services and extended automotive products and services, overcame the impact of the Pandemic and achieved steady growth, reaching a revenue of RMB9.576 billion, an increase of 7.6% over the same period in 2019, of which revenue in the second half of the year was RMB5.615 billion, an increase of 20.7% over the same period last year. In the second half of the year, our shop absorption rate also reached 90.43%, an increase of 9.42 percentage points over the same period last year. In 2020, the gross profit margin of our after-sales service was 46.01%, which was basically the same as that in 2019.

In 2020, we adjusted our business strategies in a timely manner in accordance with changes in the market environment, effectively reduced the impact of the Pandemic on our after-sales business, and ensured the rapid recovery and improvement of the after-sales maintenance business. At the same time, we have further improved the customer recruitment system, increased efforts in internal customer retention and the development of external after-sales customers, and actively carried out various product sales work that helped increase customer stickiness, thus ensured that the scale of our electromechanical business and the number of customers under management continued to increase. In the second half of the year, revenue of our electromechanical business increased by 19.2% compared with the same period of 2019. As of the end of 2020, the number of customers under management reached 936 thousand, an increase of 9.2% over the same period in 2019.

In terms of business enhancement in accident car business, we have strengthened the links between the insurance business and the accident car business, and ensured that the scale of insurance premiums and the scale of accident vehicle business increased simultaneously. On this basis, we have proactively communicated with insurance companies to seek more accident car information resources and more favorable compensation policies. Meanwhile, we have continued to strengthen the development of external resources for accident vehicles. This series of measures have enabled our accident vehicle business revenue to maintain a continuous increase. In the second half of 2020, it increased by 23.1% over the same period in 2019.

Management Discussion & Analysis

In terms of cost control, on the premise of ensuring the punctuality of supply delivery, we have continued to optimize the inventory structure of spare parts and decorating supplies. In 2020, the inventory turnover day of our spare parts was 37.1 days, representing a decrease of 6.1 days compared with 2019. At the same time, capitalizing on our economies of scale, we have increased the intensity of centralized invitation for bid and actively sought business policy supports from upstream enterprises, and further reduced our procurement costs.

In terms of skills improvement in the after-sales business, while carrying out regular maintenance skills training courses, we have focused on strengthening the technical training on new energy, effectively improved the skill level of service consultants and maintenance technicians in new energy, and increased the reserve of new energy talent team, which can ensure that our after-sales service capabilities maintain a leading position in the industry. On the other hand, we actively cooperate with Porsche and other major luxury brand manufacturers and colleges and universities to cultivate talents required for after-sales business and establish an echelon training system for after-sales personnel.

Further Improvement of Extended Businesses

In 2020, the revenue of our financial insurance agency service was RMB1.108 billion, which was basically the same as 2019. Among them, the revenue of financial insurance agency service in the second half of the year was RMB629 million, representing an increase of 9.5% compared with the same period of 2019.

The improvement in automobile finance agency is mainly due to the strengthening of the selection of financial products and the management of commission rates with financial institutions. Meanwhile, we continued to promote the strategic adjustment of financial business, integrate resources, actively innovate, empower business through financial products, promote the replacement and repurchase of existing financial customers, and vigorously improve the Company's agency financial business level.

In terms of insurance business, we strengthened research on various types of insurance, formulated corresponding marketing strategies to increase the insurance limits for third party insurance and scratch insurance of customers, and increased the penetration rate of commercial insurance and non-auto insurance business. At the same time, we carried out refined management for the renewal business to ensure simultaneous improvement of renewal penetration rate and quality. In addition, in terms of comprehensive insurance reforms, we took different response measures in a timely manner in accordance with the implementation rules of various regions, and actively communicated with insurance companies to strive for more policy support to ensure that our premium scale keeps growth.

In terms of decoration supplies business, we carried out differentiated decoration supplies marketing to customers in different periods according to the needs of customers to purchase and use vehicles in different periods and based on the characteristics of different decoration supplies, so as to extend the customer's purchase cycle of decoration supplies, effectively enhanced the business scale and profitability. Besides, we actively introduced new products and services to further promote business improvement while meeting the individual needs of customers.

Management Discussion & Analysis

Continuous Improvement of Profitability of Pre-owned Vehicle Business

In 2020, the sales volume of pre-owned vehicles for which we acted as an agent was 52,280 units, representing a year-on-year increase of 26.6%. The gross profit of pre-owned vehicles was RMB174.96 million, representing a year-on-year increase of 27.3%. After the Pandemic stabilized, we achieved sustained growth in business scale and profitability by improving the upgrading in showrooms, brand certification retail, pipeline expansion and management empowerment.

In terms of sales volume of pre-owned vehicles, we focused on the updating in pre-owned vehicles showrooms of 4S dealership channels and the upgrading and updating of retained customers, and the work coordination of sales, pre-owned vehicles, after-sales and CRM department. We took advantage of the user-end entrance of 4S dealership, strengthened the evaluation and testing of new vehicles, and acquired first-hand car sources that meet retail standards. In terms of after-sales service, we continued to strengthen customer retention while obtaining a stable source of high-quality pre-owned vehicles. On the basis of continuing to expand the scale of pre-owned vehicles transactions, we provided high-quality vehicle source for the brand's retail business. We believe that there will be strong demand of consumption upgrade in the stock car market in the future, and pre-owned vehicles will face a rapidly growing incremental market.

In terms of brand retail channel construction, we strived to build two major channel systems, namely 4S brand certification retail and Yongda pre-owned vehicle malls retail. On the one hand, we made full use of the Company's advantages in covering major luxury brands and continued to improve the official brand certification. In 2020, many 4S dealerships under the brands of the Group such as Porsche, BMW, Jaguar Land Rover, Audi, Volvo and Cadillac ranked among the best in the PRC in the annual evaluation of official certified pre-owned vehicles by the manufacturers. At present, the Group has established more than 100 pre-owned vehicle retail outlets through dual channels of 4S dealership and the Yongda pre-owned vehicle malls. The dual-channel strategy has played a complementary and synergistic effect.

By proactively establishing the "new retail" business model for pre-owned vehicles, we preliminarily realized full pipeline digital structure by combining online and offline channels, and continued to improve the core capabilities of pre-owned vehicle business empowerment. Through the Group's ERP system, we used our own transaction data and third-party cooperation data to carry out digital centralized pricing and vehicle source distribution, and entered the corresponding brand 4S dealership channel or Yongda pre-owned vehicle malls for renovation and retail. We used Yongda's e-commerce platform of pre-owned vehicles to operate private domain traffic and strengthen cooperation with third-party platforms to attract traffic. Through further in-depth research on the residual value pricing capabilities of pre-owned vehicles, we have established good cooperative relationships with B-end institutions such as original equipment manufacturers (OEMs) and leasing companies to lock in the source of bulk pre-owned vehicles in advance.

We paid close attention to and actively make use of the state's policies on pre-owned vehicles, made full use of the window period of future market growth, made efforts to develop pre-owned vehicle dealership business, continued to expand business scale, profitability and customer growth, and promoted the gradually upgrading of pre-owned vehicle business from traditional brokerage model to distribution model.

Rapid Development of New Energy Vehicle Business

In 2020, we paid high attention to the development trend of new energy vehicles industry, and accelerated the expansion of sales and after-sales service business of new energy vehicle brands. Throughout the year, our sales of new energy vehicles reached 10,271 units, representing a year-on-year increase of 13.8%, the proportion in overall sales of new vehicles further increased to 5.0% from 4.6% in 2019.

In 2020, we actively carried out the sales and service business of new energy models of traditional car brands such as BMW, Porsche, Audi, Mercedes-Benz, Volvo, Volkswagen, and GM, and completed the facility and equipment deployment plan of new energy business for all Porsche brand stores. At the same time, we carried out special training reserves for sales and service talents of new energy vehicles.

In 2020, we accelerated business cooperation with domestic and international new power new energy vehicle brands. We actively maintain close cooperation with Tesla. The Tesla authorized sheet metal painting center in Nanchang City, Jiangxi Province, which is invested and managed by us, was in good operation, and the first Tesla authorized sheet metal painting center in Anhui Province was established and opened in Hefei. WM Motor authorized 4S dealerships and supermarket experience stores in Shanghai Pudong, Puxi, Wuxi, Guangzhou, Wuhan and other places performed well. The comprehensive authorized stores, supermarket experience stores, delivery centers and after-sales centers of Xiaopeng Motors in Shanghai Pudong, Puxi, Hangzhou and other places performed well which has successively won the honors of Xiaopeng Motors National Distributor of the Year, the Strongest New Store and Gold Medal Store Manager.

In 2020, we continued to maintain active communication with new energy vehicle brands such as NIO, SAIC Zhiji, Volkswagen ID, Ford Mustang and Geely SMART, and followed up service business cooperation plans.

Continuous Optimization and Improvement of Network

In 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 improving 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 addition, we actively planned to cooperate with the outlets of mainstream new energy brands, and paid special attention to the exploration and attempt of new energy after-sales service business.

In 2020, we have self-built and opened 13 passenger vehicles sales and service outlets focusing on luxury and ultra-luxury brands, including 1 Porsche 4S dealership, 4 BMW 4S dealerships, 1 Lexus 4S dealership, 1 Aston Martin 4S dealership, 2 WM Motor 4S dealerships, 1 Xiaopeng 4S dealership, 1 Volvo showroom, 1 Infiniti 4S dealership and 1 Tesla sheet metal painting center.

Management Discussion & Analysis

We have always adhered to merger and acquisition strategy. We considered the brand value, regional advantage and existing and future profitability and meanwhile took into account that the acquisition price is kept within a reasonable range. In 2020, we successfully completed several acquisition projects, including 7 BMW 4S dealerships in Yunnan, Sichuan and Guangxi. Upon the completion of acquisition, the gaps in our outlets in the southwest region have been effectively supplemented and our BMW's market share has been further increased. In 2020, we also increased the contribution of Porsche brand to our earnings by acquiring minority equity interest in two Porsche 4S dealerships in Jiangsu.

In 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 some 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; continuously enhanced the functional expansion of existing properties, and reserved space requirements for new energy after-sales business; and continuously improved the return on assets of the Company in combination with corporate operation improvements.

In 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 December 31, 2020, our total number of outlets that were opened amounted to 238. Such outlets spread across 4 municipalities and 19 provinces in China, including 213 opened manufacturer authorized outlets, 25 opened non-manufacturer authorized outlets. Set out below are the details of our outlets as at December 31, 2020:

	2020	2019
4S dealerships of luxury and ultra-luxury brands	**130**	119
4S dealerships of mid- to high-end brands	**49**	55
4S dealerships of new energy brands	**9**	9
City showrooms of luxury brands	**17**	17
City showrooms of new energy brands	**3**	2
Authorized maintenance centers of luxury brands	**3**	3
Authorized maintenance centers of new energy brands	**2**	1
Subtotal of outlets authorized by the manufacturers	**213**	206
"Auto Repair" maintenance centers of luxury automobiles	**6**	6
Comprehensive showrooms of passenger vehicles	**6**	7
Yongda Pre-owned Vehicle Malls	**13**	13
Subtotal of non-manufacturer authorized outlets	**25**	26
Total outlets	**238**	232

Continuous Improvement in Management

In 2020, we actively responded to the Pandemic, adjusted our business management strategies in a timely manner, strengthened the improvement of operational efficiency and capacity building of the core team of the Company while maintaining growth, and all staff worked together to restore business and achieved satisfying results.

In 2020, in terms of improvement of operational efficiency, we focused on the continuous improvement of inventory turnover efficiency. Specifically, in terms of new automobiles, we further strengthened the comprehensive management improvement of the sales forecast system, order management system, input and output management system and operational fund limit system. On the one hand, we focused on the origination, and promoted the new automobile supply by continuously improving sales capability, achieving good supply and demand match for the long, medium and short run; on the other hand, we focused on the procedures, and shortened the timeliness of the whole procedures from payment, transportation, storage and delivery by way of enhancing the systematical comprehensive management mechanism. At the beginning of 2020 and after the Pandemic, the Company achieved constant enhancement in the timeliness of new automobile inventory turnover on quarter-to-quarter basis, and the operating cash flows of the Company have been notably improved.

In terms of 4S corporate operating rate of return, we attached great importance on the efficiency indicators regarding team and assets, conducted systematic assessment on a regular basis by improving benchmarking system. On the one hand, we supported and upgraded the operation and management teams of stores which were behind those of comparable entities, accelerated the adjustment for those teams with insignificant improvement; on the other hand, we voluntarily shut down, merged or transferred part of outlets which had low operation efficiency for a long term, did not generate any profit and did not comply with the long-term operation strategies of the Company. We achieved substantial results to a certain extent for the tasks above in 2020, which will effectively improve the return on investment of the Company's overall assets.

In terms of customer asset management, the Company always considers that customers are the origin and valuable assets to the sustainable development of the Company. We have been devoting ourselves in management reform of customer demand-driven business, realizing value preservation and appreciation of customer's assets. In 2020, we managed to sustain rapid improvement in our retained customer base. Through establishment of the CDP (Customer Data Platform), an intelligent customer data platform, the Group enhanced the exploration and application of customer data in an all-round way, and further improved the core system of customer assets. In addition, the Company maintained liaison and communication with customers through flexible and diversified digital contact points, comprehensively promoted Enterprise WeChat as the platform for online customer liaison and communication, ensuring security of customer information and maintenance of customer assets. The number of membership of "Darenhui (達人匯)", a digital membership platform, exceeded 1 million, and the retention rate of membership was 96.5%. We kept interaction with customers in multi-channel and multi-direction, realizing significant growth of customer retention rate.

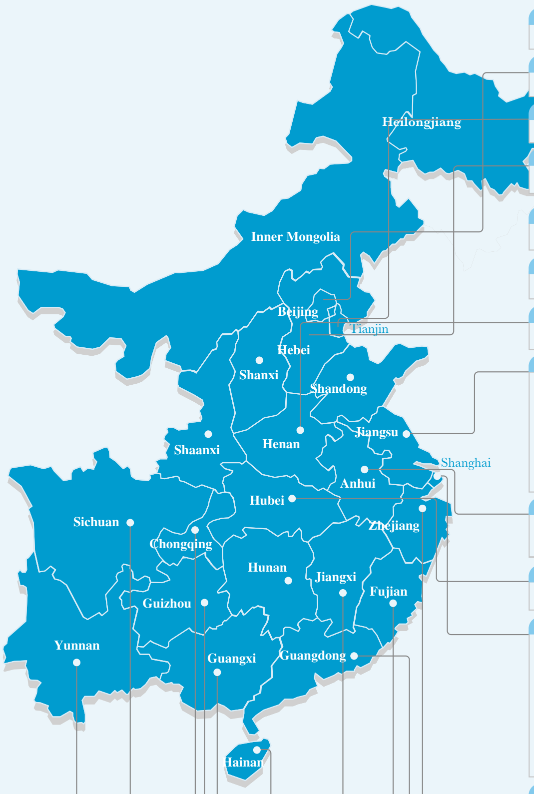
Management Discussion & Analysis

In 2020, in terms of cost reduction and efficiency enhancement work, we achieved optimization of cost and expense structure focusing on efficiency improvement and through active implementation of policies externally and enhancement of operating efficiency internally. On the one hand, we took advantages of various supporting policies subsequent to the Pandemic including policies of human resources, taxation, property and business policies of manufacturers, mitigated the pressure from operating cost and expenses during the Pandemic; on the other hand, we achieved the continuous perfection in sales and management expenses through management improvement of variable expenditures such as human resources efficiency, marketing expense and finance cost. Through more scientific enterprise classification management standards, the Company conducted resources allocation by location, including staffing and cost budget. Combining with operation improvement measures and monthly and quarterly cost efficiency assessment, the Company carried dynamic control of entities, which recorded good results for the whole year.

We continued to advance our path of digital transformation and innovation, gradually improved the core business financial system, smart retail system, customer service applet, 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. As the continuous implementation of digital applications of the Company, particularly subsequent to the Pandemic in 2020, the Company actively reformed and innovated via digital tools, and effectively 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.

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



Heilongjiang (3)
- BMW (1)
- Ford (1)
- Jaguar/Land Rover (1)

Beijing (2)
- BMW (1)
- Lynkco (1)

Tianjin (2)
- BMW (1)
- Mini (1)

Hebei (3)
- BMW (3)

Shaanxi (1)
- Porsche (1)

Shanxi (8)
- BMW (5)
- Mini (1)
- Comprehensive Showroom of Pre-owned Vehicle (2)

Shandong (9)
- BMW (5)
- Mini (2)
- Porsche (1)
- Comprehensive Showroom of Pre-owned Vehicle (1)

Henan (1)
- Jaguar/Land Rover (1)

Jiangsu (63)
- BMW (16)
- Mini (3)
- Audi (2)
- Infiniti (2)
- Porsche (4)
- Jaguar/Land Rover (4)
- Cadillac (2)
- Volvo (2)
- Lincoln (2)
- Aston Martin (2)
- Buick (6)
- Shanghai-Volkswagen (1)
- Chevrolet (3)
- GAC-Honda (2)
- GAC-Toyota (1)
- FAW-Toyota (2)
- Dongfeng-Hongda (1)
- Mazda (1)
- Roewe (1)
- Auto Repair (1)
- Comprehensive Showroom (2)
- Comprehensive Showroom of Pre-owned Vehicle (2)
- WM Motor (1)

Anhui (6)
- Porsche (2)
- Jaguar/Land Rover (1)
- Volvo (1)
- Tesla Spray Center (1)
- Comprehensive Showroom of Pre-owned Vehicle (1)

Hubei (2)
- Porsche (1)
- WM Motor (1)

Shanghai (67)
- BMW (7)
- Mini (2)
- Audi (4)
- Infiniti (2)
- Bentley (1)
- Jaguar/Land Rover (2)
- Cadillac (2)
- Volvo (5)
- Lincoln (4)
- Buick (5)
- FAW Volkswagen (3)
- Shanghai-Volkswagen (1)
- Chevrolet (3)
- GAC-Honda (2)
- GAC-Toyota (1)
- FAW-Toyota (1)
- Ford (1)
- Roewe (1)
- Skoda (1)
- BAIC New Energy (1)
- WM Motor (3)
- Comprehensive Showroom (3)
- Auto Repair (1)
- Customized Vehicle (1)
- Mercedes-Benz (1)
- Porsche (1)
- Comprehensive Showroom of Pre-owned Vehicle (4)
- Xiaopeng (2)
- Lexus (1)
- Aston Martin (1)

Zhejiang (20)
- BMW (6)
- Audi (2)
- Jaguar/Land Rover (2)
- Cadillac (1)
- Volvo (1)
- Lincoln (2)
- Buick (1)
- Shanghai-Volkswagen (1)
- Lexus (1)
- Comprehensive Showroom of Pre-owned Vehicle (2)
- Xiaopeng (1)

Guangdong (17)
- BMW (3)
- Cadillac (1)
- Volvo (4)
- Denza (2)
- WM Motor (1)
- Lynkco (2)
- Auto Repair (4)

Fujian (10)
- Audi (1)
- Porsche (3)
- Jaguar/Land Rover (1)
- Buick (2)
- Shanghai-Volkswagen (1)
- Chevrolet (1)
- Comprehensive Showroom (1)

Jiangxi (4)
- Cadillac (1)
- Porsche (1)
- Mercedes-Benz (1)
- Tesla Spray Center (1)

Hunan (3)
- BMW (2)
- Volvo (1)

Hainan (2)
- Porsche (2)

Guizhou (1)
- Lexus (1)

Sichuan (6)
- Porsche (2)
- Jaguar/Land Rover (1)
- BMW (2)
- Comprehensive Showroom of Pre-owned Vehicle (1)

Chongqing (3)
- Mercedes-Benz (1)
- Hyundai (2)

Yunnan (4)
- BMW (4)

Guangxi (1)
- BMW (1)

☆ Outlets opened

FINANCIAL REVIEW

Revenue

Revenue was RMB68,533.9 million for the year ended December 31, 2020, representing a 9.3% increase from RMB62,707.4 million for the year ended December 31, 2019. Revenue was RMB40,583.8 million for the second half of 2020, representing a 20.8% increase from RMB33,601.6 million for the second half of 2019, which was primarily due to the growth of sales and after-sales services revenue of luxury and ultra-luxury brand passenger vehicles. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	For the year ended December 31,					
	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	48,932,854	135,679	361	43,769,195	128,628	340
Mid- to high-end brands	9,295,756	68,917	135	9,165,483	68,754	133
Subtotal	58,228,610	204,596	285	52,934,678	197,382	268
After-sales services	9,576,430			8,896,622		
Automobile rental services	564,133			527,776		
Proprietary finance business	406,248			510,642		
Less: inter-segment eliminations	(241,571)			(162,338)		
Total	68,533,850			62,707,380		

	Second half of 2020			Second half 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	28,634,374	77,545	369	23,599,754	67,647	349
Mid- to high-end brands	6,013,345	45,077	133	4,852,524	34,972	139
Subtotal	34,647,719	122,622	283	28,452,278	102,619	277
After-sales services	5,614,870			4,652,275		
Automobile rental services	315,272			303,490		
Proprietary finance business	183,302			264,268		
Less: inter-segment eliminations	(177,362)			(70,730)		
Total	40,583,801			33,601,581		

The sales volume of passenger vehicles of the passenger vehicle sales and services segment was 204,596 units for the year ended December 31, 2020, representing a 3.7% increase from 197,382 units for the year ended December 31, 2019. The sales volume of passenger vehicles was 122,622 units for the second half of 2020, representing a 19.5% increase from 102,619 units for the second half of 2019.

Among them, the sales volume of luxury and ultra-luxury brand passenger vehicles was 135,679 units for the year ended December 31, 2020, representing a 5.5% increase from 128,628 units for the year ended December 31, 2019. The sales volume of luxury and ultra-luxury brand passenger vehicles was 77,545 units for the second half of 2020, representing a 14.6% increase from 67,647 units for the second half of 2019.

Revenue from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB58,228.6 million for the year ended December 31, 2020, representing a 10.0% increase from RMB52,934.7 million for the year ended December 31, 2019. Revenue from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB34,647.7 million for the second half of 2020, representing a 21.8% increase from RMB28,452.3 million for the second half of 2019.

Among them, revenue from the sales of luxury and ultra-luxury brand passenger vehicles was RMB48,932.9 million for the year ended December 31, 2020, representing a 11.8% increase from RMB43,769.2 million for the year ended December 31, 2019. Revenue from the sales of luxury and ultra-luxury brand passenger vehicles was RMB28,634.4 million for the second half of 2020, representing a 21.3% increase from RMB23,599.8 million for the second half of 2019.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB9,576.4 million for the year ended December 31, 2020, a 7.6% increase from RMB8,896.6 million for the year ended December 31, 2019. Revenue of after-sales services from the passenger vehicle sales and services segment was RMB5,614.9 million for the second half of 2020, a 20.7% increase from RMB4,652.3 million for the second half of 2019.

Revenue from the automobile rental services segment was RMB564.1 million for the year ended December 31, 2020, a 6.9% increase from RMB527.8 million for the year ended December 31, 2019. Revenue from the automobile rental services segment was RMB315.3 million for the second half of 2020, a 3.9% increase from RMB303.5 million for the second half of 2019.

Revenue from the proprietary finance business segment was RMB406.2 million for the year ended December 31, 2020, a 20.4% decrease from RMB510.6 million for the year ended December 31, 2019. Revenue from the proprietary finance business segment was RMB183.3 million for the second half of 2020, a 30.6% decrease from RMB264.3 million for the second half 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 RMB62,168.5 million for the year ended December 31, 2020, a 9.4% increase from RMB56,843.5 million for the year ended December 31, 2019. Cost of sales and services was RMB36,880.5 million for the second half of 2020, a 20.9% increase from RMB30,509.8 million for the second half 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.

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB56,674.6 million for the year ended December 31, 2020, a 9.6% increase from RMB51,688.5 million for the year ended December 31, 2019. Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB33,715.5 million for the second half of 2020, a 21.3% increase from RMB27,790.9 million for the second half 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 RMB5,170.3 million for the year ended December 31, 2020, a 8.4% increase from RMB4,771.5 million for the year ended December 31, 2019. Cost of after-sales services from the passenger vehicle sales and services segment was RMB3,033.2 million for the second half of 2020, a 22.1% increase from RMB2,483.5 million for the second half 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 RMB438.3 million for the year ended December 31, 2020, a 11.3% increase from RMB393.7 million for the year ended December 31, 2019. Cost of services for the automobile rental services segment was RMB249.2 million for the second half of 2020, a 8.1% increase from RMB230.5 million for the second half 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 RMB122.3 million for the year ended December 31, 2020, a 26.3% decrease from RMB166.1 million for the year ended December 31, 2019, and the cost of services for the proprietary finance business segment was RMB51.6 million for the second half of 2020, a 30.9% decrease from RMB74.6 million for the second half of 2019. The decrease was lower 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 RMB6,365.3 million for the year ended December 31, 2020, a 8.6% increase from RMB5,863.9 million for the year ended December 31, 2019. Gross profit was RMB3,703.3 million for the second half of 2020, a 19.8% increase from RMB3,091.8 million for the second half of 2019.

Gross profit margin was 9.29% for the year ended December 31, 2020, a slight decrease of 0.06% from the gross profit margin of 9.35% for the year ended December 31, 2019. The gross profit margin for the second half of 2020 slightly decreased to 9.13% from 9.20% for the second half of 2019.

Gross profit from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB1,554.0 million for the year ended December 31, 2020, a 24.7% increase from RMB1,246.2 million for the year ended December 31, 2019. Gross profit from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB932.2 million for the second half of 2020, a 41.0% increase from RMB661.3 million for the second half of 2019.

Gross profit margin for the sales of passenger vehicles increased to 2.67% for the year ended December 31, 2020 from 2.35% for the year ended December 31, 2019. Gross profit margin for the sales of passenger vehicles increased to 2.69% for the second half of 2020 from 2.32% for the second half of 2019.

Gross profit for after-sales services from the passenger vehicle sales and services segment was RMB4,406.1 million for the year ended December 31, 2020, a 6.8% increase from RMB4,125.1 million for the year ended December 31, 2019. Gross profit for after-sales services from the passenger vehicle sales and services segment was RMB2,581.7 million for the second half of 2020, a 19.0% increase from RMB2,168.8 million for the second half of 2019.

Gross profit margin for after-sales services was 46.01% for the year ended December 31, 2020, a slight decrease of 0.36% from 46.37% for the year ended December 31, 2019. Gross profit margin for after-sales services was 45.98% for the second half of 2020, a slight decrease of 0.64% from 46.62% for the second half of 2019.

Gross profit from the automobile rental services segment was RMB125.8 million for the year ended December 31, 2020, a 6.2% decrease from RMB134.1 million for the year ended December 31, 2019. Gross profit from the automobile rental services segment was RMB66.1 million for the second half of 2020, a decrease of 9.4% from RMB73.0 million for the second half of 2019.

Gross profit margin for the automobile rental services segment was 22.30% for the year ended December 31, 2020, a 3.11% decrease from 25.41% for the year ended December 31, 2019. Gross profit margin for the automobile rental services segment was 20.96% for the second half of 2020, a 3.09% decrease from 24.05% for the second half of 2019.

Gross profit from the proprietary finance business segment was RMB283.9 million for the year ended December 31, 2020, a 17.6% decrease from RMB344.6 million for the year ended December 31, 2019. Gross profit from the proprietary finance business segment was RMB131.7 million for the second half of 2020, a 30.5% decrease from RMB189.6 million for the second half of 2019.

Gross profit margin for the proprietary finance business segment was 69.88% for the year ended December 31, 2020, an increase from 67.48% for the year ended December 31, 2019. Gross profit margin for the proprietary finance business segment was 71.86% for the second half of 2020, basically in line with 71.75% for the second half of 2019.

Other Income and Other Gains and Losses

Other income and other gains and losses were net gains of RMB1,178.4 million for the year ended December 31, 2020, a 0.1% increase from RMB1,177.3 million for the year ended December 31, 2019. Other income and other gains and losses were net gains of RMB668.9 million for the second half of 2020, a 12.0% increase from RMB597.0 million for the second half of 2019.

Among that, revenue from the finance and insurance related post-market agency services business of the passenger vehicle sales and services segment was RMB1,108.0 million for the year ended December 31, 2020, a 0.1% increase from RMB1,106.3 million for the year ended December 31, 2019. Revenue from the finance and insurance related post-market agency services business of the passenger vehicle sales and services segment was RMB628.6 million for the second half of 2020, a 9.5% increase from RMB574.1 million for the second half of 2019.

Distribution and Selling Expenses and Administrative Expenses

Distribution and selling expenses and administrative expenses were RMB4,619.2 million for the year ended December 31, 2020, a 9.4% increase from RMB4,222.3 million for the year ended December 31, 2019. Distribution and selling expenses and administrative expenses were RMB2,550.2 million for the second half of 2020, a 12.1% increase from RMB2,275.5 million for the second half of 2019.

The ratio of distribution, selling and administrative expenses over revenue 6.74% for the year ended December 31, 2020, which was generally in line with that of 6.73% for the year ended December 31, 2019. The ratio of distribution, selling and administrative expenses over revenue was 6.28% for the second half of 2020, a 0.49% decrease from 6.77% for the second half of 2019.

Operating Profit

As a result of the foregoing, operating profit was RMB2,924.6 million for the year ended December 31, 2020, a 3.8% increase from RMB2,818.9 million for the year ended December 31, 2019. Operating profit was RMB1,821.9 million for the second half of 2020, a 28.9% increase from RMB1,413.3 million for the second half of 2019.

Finance Costs

Finance costs were RMB675.5 million for the year ended December 31, 2020, a 13.2% decrease from RMB778.1 million for the year ended December 31, 2019, and the finance costs were RMB304.6 million for the second half of 2020, a 24.2% decrease from RMB401.6 million for the second half of 2019.

Gross profit margin for finance costs was 0.99% for the year ended December 31, 2020, a 0.25% decrease from 1.24% for the year ended December 31, 2019. Gross profit margin for finance costs was 0.75% for the second half of 2020, a 0.45% decrease from 1.20% for the second half of 2019.

Profit before Tax

As a result of the foregoing, profit before tax was RMB2,294.8 million for the year ended December 31, 2020, a 10.6% increase from RMB2,075.8 million for the year ended December 31, 2019. Profit before tax was RMB1,538.5 million for the second half of 2020, a 50.9% increase from RMB1,019.4 million for the second half of 2019.

Income Tax Expenses

Income tax expenses were RMB561.7 million for the year ended December 31, 2020, a 10.9% increase from RMB506.7 million for the year ended December 31, 2019. Our effective income tax rate was 24.5% for the year ended December 31, 2020, a slight increase from 24.4% for the year ended December 31, 2019.

Profit

As a result of the foregoing, the profit was RMB1,733.1 million for the year ended December 31, 2020, a 10.5% increase from RMB1,569.1 million for the year ended December 31, 2019. The profit was RMB1,161.4 million for the second half of 2020, a 47.6% increase from RMB786.8 million for the second half of 2019.

Profit Attributable to the Owners of the Company

As a result of the foregoing, the profit attributable to the owners of the Company was RMB1,625.0 million for the year ended December 31, 2020, a 10.3% increase from RMB1,473.0 million for the year ended December 31, 2019. The profit attributable to the owners of the Company was RMB1,095.0 million for the second half of 2020, a 48.2% increase from RMB738.9 million for the second half 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 year ended December 31, 2020, our net cash generated from operating activities was RMB5,729.0 million, of which the net cash generated from operating activities of automobile sales and services business was RMB4,338.7 million, and the net cash generated from operating activities of proprietary finance business was RMB1,390.3 million. For the year ended December 31, 2019, our net cash from operating activities was RMB4,108.7 million, of which the net cash generated from operating activities of automobile sales and services business was RMB3,972.3 million, and the net cash generated from operating activities of proprietary finance business was RMB136.4 million. Compared to the year ended December 31, 2019, the net cash generated from operating activities of automobile sales and services business increased by RMB366.4 million, and the net cash generated from operating activities of proprietary finance business increased by RMB1,253.9 million.

For the year ended December 31, 2020, our net cash used in investment activities was RMB1,668.4 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB991.8 million and acquisition of subsidiaries of RMB847.9 million, which was partially offset by the proceeds from the disposal of property, plant and equipment and land use rights and intangible assets of RMB505.8 million. For the year ended December 31, 2019, our net cash used in investing activities was RMB2,131.9 million.

For the year ended December 31, 2020, our net cash used in financing activities was RMB3,191.2 million, which mainly included the net repayment of bank loans and other borrowings of RMB3,011.1 million, the payment of interest of RMB692.7 million, the payment of dividends of RMB486.5 million, the repayments of leases liabilities of RMB207.5 million and the acquisition of minority shareholders' equity in subsidiaries of RMB264.3 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 net proceeds from top-up issuance of new shares of RMB893.0 million. For the year ended December 31, 2019, our net cash used in financing activities was RMB1,822.6 million.

Inventories

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

Management Discussion & Analysis

Our inventories were RMB4,855.8 million as of December 31, 2020, a 13.7% 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 year ended December 31, 2020	2019
Average inventory turnover days (1)	**30.8**	36.8

	Second half of the year 2020	2019
Average inventory turnover days (2)	**25.4**	31.1

Notes:

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

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

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights, intangible assets and acquisition of subsidiaries, which was partially offset by the proceeds from the disposal of property, plant and equipment. For the year ended December 31, 2020, our total capital expenditures were RMB1,333.9 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	For the year ended December 31, 2020 *(RMB million)*
Expenditures on purchase of property, plant and equipment – test-drive automobiles and vehicles for operating lease purposes	**626.6**
Expenditures on purchase of property, plant and equipment – primarily used for establishing new automobile sales and service outlets	**317.8**
Expenditures on purchase of intangible assets (vehicle licences)	**47.4**
Expenditures on acquisition of subsidiaries (1)	**635.6**
Proceeds from the disposal of property, plant and equipment (mainly test-drive automobiles and vehicles for operating lease purposes)	**(505.8)**
Total	**1,121.6**

Note:

(1) Excluding inventories of RMB212.3 million.

Borrowings and Bonds

We obtained borrowings (consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers) and issued bonds to fund our working capital and network expansion. As of December 31, 2020, the outstanding amount of our borrowings and bonds amounted to RMB10,121.9 million, a 21.2% 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 December 31, 2020:

	As of December 31, 2020 *(RMB million)*
Within one year	**6,533.6**
One to two years	**2,421.8**
Two to five years	**1,166.5**
Total	**10,121.9**

As of December 31, 2020, our net gearing ratio (being net liabilities divided by total equity) was 54.1% (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 December 31, 2020, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2020 consisted of (i) inventories of RMB1,678.7 million; (ii) property, plant and equipment of RMB94.4 million; (iii) land use rights of RMB103.2 million; and (iv) equity interests of the subsidiaries of RMB400.0 million.

Contingent Liabilities

As of December 31, 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 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 December 31, 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.

Use of proceeds

In June 2020, 120,000,000 ordinary shares of the Company have been placed to no less than six placees under the general mandate at the placing price of HK$8.29 per share, and then top-up subscription of 120,000,000 new ordinary shares have been completed at the subscription price of HK$8.29. The placing and the top-up subscription of new shares are to broaden the shareholder base, strengthen capital base, improve financial condition and net asset base, and will support the long-term development and growth.

The net proceeds amounted to approximately HK$983 million which is intended to be utilised for further expansion the dealership network of the Company, mainly by way of acquisition or establishment of new 4S dealerships with an aim to consolidate the leading position of the Company with continued focus on ultra-luxury and luxury brands, subject to any change in market conditions. The use or intended use of these proceeds was in line with the planned use as disclosed in the announcement dated June 10, 2020 in relation to placing of existing shares and top-up subscription of new shares under the general mandate, and there is no significant change or delay.

Impact of Novel Coronavirus Pandemic

In the first quarter of 2020, the business and operation of the Group were affected by the Pandemic. At the beginning of the Pandemic, the Chinese government adopted extensive lockdowns, closed workplaces, and implemented travel restrictions to curb the virus spread. We have taken measures to reduce the impact of the Pandemic, including some of our business entities and service outlets strictly implementing self-isolation and disinfection measures in accordance with relevant government regulations. Since March 2020, the Group's businesses gradually resumed. For the whole year of 2020, the Pandemic did not have significantly adverse impact on the operation, financial condition and cash flows of the Group. For quantitative analysis of the impact of the Pandemic on the operation, financial condition and cash flows of the Company, please refer to other relevant subsections in this section.

Although the development of vaccines offers the possibility of shortening the duration of the Pandemic and mitigating its scale and impact, the effectiveness of vaccines and the effectiveness of vaccine development, approval, production, distribution and management are still uncertain and unpredictable. Given that the development of the Pandemic is currently still uncertain and unpredictable, the extent of the impact of the Pandemic on our operating performance, financial condition and cash flows will depend on the future development of the Pandemic, which has brought operation challenges to our businesses. In addition, provided that the overall economy of the PRC suffered loss as a result of the outbreak of the Pandemic, our operating results may be adversely affected.

FUTURE OUTLOOK AND STRATEGIES

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 maintain steady growth and the proportion of market share of luxury automobiles will further increase. 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 pre-owned vehicles and vehicle maintenance; meanwhile, as the vehicle electrical and intelligent development is speeding up, the customers' attention and acceptance to the new energy automobiles will be increasing, and the production and sales of new energy automobiles will step into the period of relatively rapid growth, which will bring new development opportunities to the industry.

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 existing network, the Company will advance the facility renovation and capacity expansion plan, and continuously close down or merge and transfer outlets with poor profitability in order to revitalize existing assets and optimize the brand structure and regional distribution.

The Company will continue to deepen and expand cooperation with leading enterprises of new energy automobiles. On the one hand, the Company will actively perform the marketing and service of new energy models of traditional automobile brands. On the other hand, the Company will establish a service company for new energy business with an independent management structure, and set up a full-time team, and relying on the preliminary cooperation foundation and resource advantages including human resources and facilities, the Company will rapidly broaden outlet layout of emerging independent new energy brands, actively participate in the supermarket model and the vehicle delivery commission model, and focus on the development of the aftermarket service model of authorized maintenance and centralized sheet metal painting centers. While rapidly increasing the business scale, the Company will deploy business opportunities in the new energy service industry chain and form a business model that conforms to the future development trend of electrification and intelligence.

In terms of the pre-owned vehicle business, we will take initiative to transform from the agent model to the distribution model, fully rely on the dual-channel resource advantages of existing 4S dealership outlets and pre-owned vehicle chain malls, to increase the scale and profitability of the certified pre-owned vehicle retail business. We will strengthen the customer collection and referral capabilities through building a pre-owned vehicle online mall portal, and form an omni-channel "new retail" model by combining online and offline channels. Additionally, we will actively implement the vehicle resource coordination strategy with OEMs and third parties to enhance the market influence of Yongda pre-owned vehicle brand.

The Company will focus on accelerating digital construction and transform traditional industries with the help of Internet technology and digital technology. The Company will focus on the construction of online customer platforms to enhance the digital capabilities of customer operations, and in combination with offline services, to achieve efficient links and service responses, and build a new internal and external digital retail and new service system centered on customer experience and intelligent applications of big data.

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, promote the growth of production capacity of the after-sales services and continuous enhancement of the service absorption rate, continue to expand new media marketing channels such as live broadcast platforms and maintain the solid retention customers and services as well as value management. We will optimize the Company's appraisal management and incentive mechanism, strengthen the structure construction of the young management and future professional talent reserves of the Company in the Internet, new energy and pre-owned vehicle fields, 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.

Directors and Senior Management

DIRECTORS

Executive Directors

CHEUNG Tak On (張德安), aged 54, is our Chairman and was appointed as our executive Director on January 18, 2012 and he is currently the vice chairman of the Shanghai Enterprise Confederation/Entrepreneur Association and the rotating chairman of the Shanghai Entrepreneur Association. Mr. Cheung has extensive experience in the passenger vehicle dealership sector and is responsible for setting the strategic vision, direction and goals of our Group and he participates in our Group's strategic and key operational decision-making processes. Mr. Cheung was brought up in the PRC. From November 1999 to February 2005 and from November 2005 to September 2018, Mr. Cheung has been the chairman of Shanghai Yongda Holding (Group) Limited (上海永達控股(集團)有限公司) ("Yongda Holding"), where he has been mainly responsible for overseeing its overall development and formulating corporate and business strategies. Mr. Cheung obtained an adult higher education training certificate in economic law jointly granted by The Open University of China (中央廣播電視大學) and China University of Political Science and Law (中國政法大學) in 1996 and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2001. Mr. Cheung also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from September 1999 to December 2001, and the China CEO Program jointly offered by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, IMD and London Business School in 2011. Mr. Cheung completed the course of China CEO Global Research Proposal (《中國CEO全球研修計劃》) organised by Overseas Education Collage of Shanghai Jiao Tong University (上海交通大學) in 2014. Mr. Cheung started to course of the Entrepreneur Scholar Program and PhD in Global Management of Tsinghua University-University of Minnesota sponsored by the School of Economics and Management of Tsinghua University in 2018.

CAI Yingjie (蔡英傑), aged 53, is our Vice-chairman and was re-designated from our President to Chief Executive Officer on March 23, 2015 and was appointed as our executive Director on January 18, 2012. Mr. Cai is responsible for overseeing our operations and investment, managing our relationships with automobile manufacturers and exploring new business opportunities for our Group. Mr. Cai is also the chairman or a director of several of our subsidiaries. From November 1998 to December 2011, and since September 2018, he was the director of Shanghai Yongda Group Company Limited ("Yongda CLS") and its general manager from November 1999 to December 2011. Before joining the Group, Mr. Cai worked in Shanghai Shenbao Automobiles Factory (上海申寶汽車廠) (later known as Shanghai Shenbao Automobiles Co., Ltd. (上海申寶汽車有限公司)), where he was responsible for automobiles inspection and management of the fleet of automobiles. Mr. Cai received the Executive Management Education Certificate from the Chinese Enterprise CEO Program at Cheung Kong Graduate School of Business in 2016 and graduated from Nanjing Army Command College (南京陸軍指揮學院) with an adult higher education bachelor diploma in law in 2002.

Directors and Senior Management

WANG Zhigao (王志高), aged 52, is our Vice-chairman, he served as our non-executive Director from January 2012 to March 2015, and was re-designated to executive Director on March 23, 2015. Mr. Wang is responsible for managing our strategies, remuneration and work in relation to professional capital market institutions and guiding the financial management and legal affairs of our Group. Mr. Wang served as a director of Yongda Holding since January 2005 and was re-designated to the chairman of Yongda Holding in September 2018. Mr. Wang served as a director of Yongda CLS since December 2003 and was re-designated to the chairman of it in September 2018. Mr. Wang is also currently the chairman or a director of several of our subsidiaries. Before joining the Group, Mr. Wang was a lawyer at Shanghai Xin Cheng Law Firm (上海信誠律師事務所) and Shanghai Jin Shi Law Firm (上海金石律師事務所). And from August 1992 to December 1996, he was a lecturer at East China University of Political Science and Law (華東政法大學). Mr. Wang graduated from East China University of Politics and Law with a bachelor's degree in economic law in 1992 and a master's degree in law in 1999. Mr. Wang also received a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2007.

XU Yue (徐悅), aged 45, was appointed as our executive Director on March 23, 2015 and was appointed as the vice chairman on March 25, 2020. He is fully responsible for our operation and management. Mr. Xu was our President from March 2015 to February 2016 and has been re-appointed as our President since September 12, 2016. Mr. Xu is also currently the chairman of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) ("Yongda Automobile Group"), which is an indirect wholly-owned subsidiary of the Company, and the chairman or a director of several of our subsidiaries. Mr. Xu joined our Group in 1999 and has more than 19 years of experience in the passenger vehicle dealership sector. He was the executive vice-president of the Company from January 2012 to March 2015 and the assistant to the chief executive officer of Yongda Holding from January 2009 to December 2011. From June 2004 to January 2009, Mr. Xu was the deputy general manager of Yongda CLS and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司) ("Shanghai Baozen"). Between February 2002 and March 2004, Mr. Xu was the secretary to the chief executive officer of Yongda Holding, where he was mainly responsible for assisting the chief executive officer with daily administration. From November 2000 to February 2002, Mr. Xu was the general manager of Shanghai Yongda International Trading, Ltd. (上海永達國際貿易有限公司), where he was mainly responsible for the import of passenger vehicles. Between October 1999 and November 2000, Mr. Xu was the assistant to the general manager of Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司). Mr. Xu received a bachelor diploma in practical English and a secondary college diploma in international business and finance management from Shanghai Normal University (上海師範大學) in June 1997, and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2005. Mr. Xu also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from October 2003 to July 2005. In 2015, Mr. Xu obtained a master's degree in Business Administration at China Europe International Business School (中歐國際工商學院).

Directors and Senior Management

CHEN Yi (陳昳), aged 48, was appointed as our executive Director on March 23, 2015 and was responsible for the operation and management of the automobile finance business and related management of our Group. Ms. Chen was re-appointed as our vice-president on September 12, 2016 and since February 2016, Ms. Chen has been a director of Yongda Automobile Group. From March 2014 to February 2016, Ms. Chen was the vice-president of our Company and the general manager of the finance innovation department. She has over 20 years of experience in the banking and financial industry. Prior to joining us, Ms. Chen was the senior assistant to the president of the Transportation Finance Division and the director of Eastern China Automobile Business Division of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) (Shanghai Stock Exchange ("SSE") stock code: 600016 and Hong Kong Stock Exchange stock code: 01988) ("CMBC") from April 2013 to January 2014. From February 2004 to April 2013, Ms. Chen held several managerial positions in CMBC, including the senior customer manager of the Shanghai Anting branch of CMBC, the general manager of the Industrial and Commercial Enterprises Finance Division Two of CMBC, the general manager of the automobile finance department and the branch manager of the Shanghai Jiading branch of CMBC and the branch manager of the Shanghai Gubei branch of CMBC. From July 1995 to February 2004, she worked at the Credit Card Division, Personal Banking Division and Customer Service Division of Bank of Communications Co., Ltd. (交通銀行股份有限公司) (SSE stock code: 601328 and SEHK stock code: 03328). Ms. Chen obtained a professional diploma in International Finance from the Shanghai Institute of Finance (上海金融學院), formerly known as the Shanghai Higher Institute of Finance (上海金融高等學院) in 1995 and a bachelor's degree in currency and banking from Shanghai Jiao Tong University (上海交通大學) in 2000. She also obtained a master's degree in Executive Master of Business Administration from Shanghai Advanced Institute of Finance (上海高級金融學院) of Shanghai Jiao Tong University in 2014 and is currently enrolling into a Ph.D. degree in Global Financial Business Administration of Shanghai Advanced Institute of Finance.

Non-executive Director

WANG Liqun (王力群), aged 67, was appointed as our non-executive Director on January 18, 2012, and is responsible for formulating major policies of our Group. Mr. Wang has been the chairman of the board of Shanghai Stone Capital Co., Ltd (上海磐石投資有限公司) since 2008 and participating in its material business decisions and strategic planning; has been an independent director of Pengxin International Mining Co., Ltd (鵬欣環球資源股份有限公司) (SSE stock code: 600490) since May 20, 2015; has been an independent director of Shanghai Jiao Yun Group Co., Ltd. (上海交運集團股份有限公司) (SSE stock code: 600676) since November 18, 2014; has been the independent non-executive director of E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司) (SEHK stock code: 2048) since July 10, 2018. Mr. Wang has served a number of positions, including a director, general manager and senior consultant of Shanghai Bashi Industrial (Group) Co., Ltd. (上海巴士實業(集團)股份有限公司) (now known as Huayu Automotive Systems Company Limited (華域汽車系統股份有限公司)) (SSE stock code: 600741). From 1999 to 2007, Mr. Wang was the chairman of Shanghai Urban Rail System Corporation (上海現代軌道交通股份有限公司). From 1999 to 2001, Mr. Wang was also the general manager of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司). From 2010 to 2016, Mr. Wang was the independent director of Talkweb Information System Co., Ltd (拓維信息系統股份有限公司) (Shenzhen Stock Exchange ("SZSE") stock code: 002261). Mr. Wang was the director of Shanghai Xintonglian Packaging Co., Ltd. (上海新通聯包裝股份有限公司) (SSE stock code: 603022) from 2010 to 2018; the director of Shanghai Fortune Techgroup Co., Ltd. (上海潤欣科技股份有限公司) (SZSE stock code: 300493) from 2012 to January 2019; and an independent director of Huayi Brothers Media Corporation (華誼兄弟傳媒股份有限公司) (SZSE stock code: 300027) from August 2014 to August 2020. Mr. Wang was qualified as a senior economist (高級經濟師) in 1992 by the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列(生產領域)高級專業技術職務任職資格評審委員會) and was awarded the title of "Outstanding Young Entrepreneur" (傑出青年企業家) by the Youth Communist League Committee of Shanghai (共青團上海市委員會) and Shanghai Youth Entrepreneurs Association (上海市青年企業家協會). Mr. Wang obtained a college diploma in economics management from the School of Construction and Management of the University of Shanghai Urban Construction College (上海城市建設學院) in 1987.

Independent Non-executive Directors

ZHU Anna Dezhen (朱德貞), aged 63, was appointed as our independent non-executive Director on May 8, 2015, and is currently the chairman of the board of Xiamen De Yi Equity Investment Management Co., Ltd. (廈門德屹股權投資管理有限公司), where she is mainly responsible for operation and management of investment. Ms. Zhu has also been serving as a non-executive director of Fuyao Glass Industry Group Co., Ltd. (SSE stock code: 600660 and SEHK stock code: 03606) since November 2011, an independent director of Bright Dairy & Food Co., Ltd. (SSE stock code: 600597) since April 2015. Ms. Zhu has over 30 years of extensive experience in financial analysis, market analysis, investment management and general corporate management. Before joining Xiamen De Yi Equity Investment Management Co., Ltd., Ms. Zhu was a senior manager of China National Offshore Oil Corporation, where she was mainly responsible for analysis of crude oil market, from October 1982 to September 1988. From March 1992 to June 1993, Ms. Zhu was an analyst at The Bank of New York Company, Inc., where she was mainly responsible for systems analysis. From June 1993 to September 1999, Ms. Zhu was the vice-chairman of business of JP Morgan Investment Bank of the United States, where she was mainly responsible for establishing the financial model. Ms. Zhu was a manager of Strategic Planning of Micron Technology, Inc. (New York Stock Exchange stock code: MU), where she was mainly responsible for strategic planning, from May 2000 to October 2001; the chief operating officer of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), from October 2001 to June 2003; and the president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), where she was mainly responsible for operations management, from June 2003 to May 2008. From May 2008 to December 2010, Ms. Zhu was the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, where she was mainly responsible for the operation and management of investment. From December 2010 to June 2016, Ms. Zhu was the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd.. Ms. Zhu has served as an independent director of Hunan TV & Broadcast Intermediary Co. Ltd. (SZSE stock code: 000917) from August 2016 to December 2020. In the area of professional qualification, Ms. Zhu is a director of the Chinese Economists 50 Forum, a director of Heren Charitable Foundation and a director of the Western Returned Scholars Association. With respect to the academy, Ms. Zhu is a part-time professor in the School of Management of Xiamen University (廈門大學). Ms. Zhu received a bachelor's degree in literature from Xiamen University in 1982, a bachelor's degree in economics from College of Saint Elizabeth in 1990 and a master's degree in business administration from Pace University in 1992. Ms. Zhu obtained a doctor's degree in economics from Xiamen University in 2013.

LYU Wei (呂巍), aged 56, was appointed as our independent non-executive Director on January 18, 2012. Mr. Lyu is currently a professor of Management Department of Antai College of Economics and Management (安泰經濟與管理學院) at Shanghai Jiao Tong University (上海交通大學). From November 2014 to May 2015, Mr. Lyu was the head of preparatory group of the Faculty of the Cultural and Creative Industry of University of Southern California and Shanghai Jiao Tong University (上海交通大學美國南加州大學文化創意產業學院). From 2003 to November 2014, Mr. Lyu was the Associate Dean of the Antai College of Economics and Management at Shanghai Jiao Tong University. Between February 1997 and March 2003, Mr. Lyu was an assistant to the Dean of the School of Management of Fudan University (復旦大學) and a professor in its Department of Marketing from November 2001 to March 2003. From 1996 to 1997, Mr. Lyu was a visiting scholar at the Sloan School of Management of Massachusetts Institute of Technology. From 1994 to 1996, Mr. Lyu was a visiting scholar at the University of Southern California.

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

Companies	Positions	Duration
Shanghai Guangdian Electric Group Co., Ltd. (上海廣電電氣（集團）股份有限公司) (SSE stock code: 601616)	Independent Director	May 2020 – present
Whirlpool (China) Co., Ltd. (惠而浦(中國)股份有限公司) (SSE stock code: 600983)	Director	June 2017 – present
Shandong Wohua Pharmaceutical Co., Ltd. (山東沃華醫藥科技股份有限公司) (SZSE stock code: 002107)	Independent Director	January 2016 – present
Foshan Electrical and Lighting Co Ltd (佛山電器照明股份有限公司) (SZSE stock code: 000541)	Independent Director	December 2015 – present
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易開發區股份有限公司) (SSE stock code: 600663)	Independent Director	May 2015 – present
LUOLAI LIFESTYLE TECHNOLOGY CO.,LTD. (羅萊生活科技股份有限公司) (formerly known as Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司)) (SZSE stock code: 002293)	Independent Director	November 2007 – October 2013 January 2017 – present
China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司) (formerly known as China Seven Star Holdings Limited (中國七星控股有限公司) and China Seven Star Shopping Limited (中國七星購物有限公司)) (SEHK stock code: 245)	Independent Non-executive director	June 2005 – July 2019

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

MU Binrui (牟斌瑞), aged 64, has been appointed as an independent non-executive Director of the Company with effect from 1 January 2019. Mr. Mu has over 35 years of extensive experience in the banking industry. Before joining the Company, Mr. Mu joined Bank of China in 1980, and was transferred to the headquarters of Bank of Communications in 1992, where he held the positions of deputy director, director and deputy general manager of the international business department as well as the deputy general manager of the corporate affairs department, respectively, during 1992 to 2004. Mr. Mu was appointed as general manager of the credit management department of the headquarters of Bank of Communications in 2004, and subsequently the deputy chief credit officer and general manager of the credit management department of Bank of Communications in 2013. Mr. Mu was awarded State Council Special Allowance by the People's Republic of China in February 2013, and retired in October 2016. From January 2017 to March 2018, Mr. Mu held the position of an independent non-executive director of Huabang Financial Holdings Limited (previously known as Goldenmars Technology Holdings Limited) (stock code: 3638), a company listed on the main board of the Stock Exchange. Mr. Mu graduated from Renmin University of China with a bachelor's degree in finance in 1987, and obtained the title of Senior Economist in 1997.

SENIOR MANAGEMENT

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

TANG Liang (唐亮), aged 42, was appointed as our Vice-president since September 12, 2016 and is responsible for assisting the president of the Group in work execution related to the operation and management of the automobile sales service business. Mr. Tang is currently also a director of Yongda Automobile Group. Mr. Tang was the assistant to our President of the Group from March 2015 to February 2016. Mr. Tang joined us on May 4, 2010 and served as the deputy general manager and the general manager of Shanghai Baozen and the vice director of Baozen Business Division. Mr. Tang has over 17 years of working experience in the automobile industry. Prior to joining us, Mr. Tang worked at SGM Automobile Manufacturing Department (上海通用汽車製造部) from April 2004 to the end of 2008, during which period he held a number of managerial positions in respect of engineering and production, and later served as the assistant to the vice-president of SGM Automobile Marketing (上海通用汽車營銷) from the end of 2008 until he joined our Group. Mr. Tang graduated from the Material Science and Engineering Institute of Shanghai Jiao Tong University (上海交通大學) in 2001 with a bachelor's degree in material science and engineering, and obtained a master's degree in the same major in 2004. Mr. Tang received a master's degree in Executive Master of business administration at China Europe International Business School (中歐國際工商學院) in September 2016.

YE Ming (葉明), aged 43, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for managing the internal operation of our Group. Mr. Ye is also currently a director of several of our subsidiaries. From January 2009 to December 2011, Mr. Ye simultaneously held the offices of the assistant to chief executive officer of Yongda Holding and the deputy general manager of Yongda CLS. Mr. Ye held a number of managerial positions at Yongda CLS between 2003 and 2008, including the director of the business development department and assistant to the general manager. In 2002, Mr. Ye held the office of assistant to the general manager of Shanghai Yongda Automobile Rental Company (永達汽車租賃有限公司). Mr. Ye received a bachelor's degree in law from Shanghai University (上海大學) in 2001 and a master's degree of EMBA from Fudan University in June 2018.

DONG Ying (董穎), aged 51, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. Mr. Dong joined our Group in November 2011 and has been responsible for our financial management. Mr. Dong has 26 years of experience in corporate finance, accounting, auditing, risk management and internal control. Mr. Dong was the deputy head of financial control center of Yongda Holding between November 2011 and December 2011. Prior to joining us, Mr. Dong was the financial controller of a company whose shares are listed in Hong Kong from 2006 to 2011. Mr. Dong worked at PricewaterhouseCoopers Zhong Tian Limited Company CPAs (普華永道中天會計師事務所有限公司) from 2003 to 2006 as a senior manager in its risk management and internal control service department and from 1994 to 2003 as a senior manager in its audit department. He is a member of the Chinese Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Dong obtained a bachelor's degree in fine chemical engineering and a secondary diploma in international corporate management from East China University of Science and Technology (華東理工大學) in July 1993.

Directors and Senior Management

TANG Hua (唐華), aged 48, was our Vice-president from March 2015 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for the operation and management of public affairs center and new media business department of our Group. Mr. Tang is also the director of our certain subsidiaries. After joining us in 2002, Mr. Tang held various positions in our Group, such as the press spokesman, the director of the public affairs center, the secretary of the Youth League Committee of our Group. Mr. Tang is also the president of Shanghai Automobile Sales Trade Association (上海汽車銷售行業協會) and the vice president of the automobile chamber of the National Association of Industry and Commerce (全國工商聯汽車商會). Prior to joining our Group, Mr. Tang worked in Saic Motor Corporation Limited (上海汽車集團股份有限公司) and has 28 years of experience in the automobile industry. Mr. Tang obtained double bachelor's degree in economic management from Air Force Political Academy (空軍政治學院) and in administrative management from Fudan University (復旦大學) in 2001, and later obtained a master's degree in public administration from Fudan University (復旦大學) in 2005.

WEI Dong (衛東), aged 51, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for the operation and management of pre-owned vehicle business. Mr. Wei is also currently a director of several of our subsidiaries. Mr. Wei has 20 years of experience in sales management. From January 2008 to December 2011, Mr. Wei was the deputy general manager of Yongda CLS. From November 2004 to December 2008, Mr. Wei was the general manager of Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司). From April 2002 to October 2004, he was the deputy general manager of Shanghai Number One Yongda Automobile Trading Co., Ltd. (上海一百永達汽車貿易有限公司). Between April 2000 and March 2002, he was the deputy general manager of the Songjiang store of the Shanghai Number One Department Store Co., Ltd. (上海第一百貨松江店有限公司). From October 1989 to July 1998, Mr. Wei was a salesman, deputy secretary and secretary of the Youth League Committee at the Shanghai Number One Department Store Co., Ltd. (上海市第一百貨商店股份有限公司). Mr. Wei obtained an adult higher education bachelor's diploma in business administration from Shanghai Second Polytechnic University (上海市第二工業大學) in 2002.

ZHANG Hong (張虹), aged 37, was re-designated as our Vice-president on March 25, 2020 and re-appointed as our joint company secretary on March 20, 2018. She is responsible for comprehensive affairs management, legal risk management and control, staff education and training and other areas of our Group, and participating in human resources management and the preparation of the interim reports and annual reports of the Company, and the organization of and preparation for the board meetings, board committee meetings and shareholders' meetings. Ms. Zhang joined us in July 2006 and has nearly 15 years of experience in automobile sales and service industry. She has since held a number of positions in the Group, such as the assistant to the president, the assistant director, the deputy director, and the executive director of the legal department of the Group. Ms. Zhang graduated from the department of economic laws of East China University of Political Science and Law (華東政法大學) with a bachelor's degree in Laws in June 2006.

TAO Wei (陶衛), aged 41, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting the management of Baozen Business Division. Mr. Tao was promoted from front-line sales consultant to sales manager, and was the manager of the BMW, Audi, Jaguar Land Rover and other 4S brand stores since joining the Group in 2001, and accumulated rich work experience. Mr. Tao worked as the general manager of Shanghai Baozen Store of Yongda Automobile Group and Shanghai Baozen Shenjiang Automobile Sales and Service Co., Ltd. (上海寶誠申江汽車銷售服務有限公司) from October 2017, the assistant to president of Yongda Automobile Group from March 2014 to October 2017 and the general manager of Shanghai Yongda Aocheng Automobile Sales and Service Co., Ltd. (上海永達奧誠汽車銷售服務有限公司) of Yongda Automobile Group from May 2012 to March 2014. Mr. Tao joined us in November 2001 and he has held a number of managerial positions in the Group, such as sales manager and general manager of the Taiyuan Baozen Store, sales manager and deputy sales manager of the Chinese brand and Audi brand and sales consultant of the Shanghai Volkswagen Brand. Mr. Tao graduated from Shanghai Jiao Tong University (上海交通大學) with a major in automotive construction in 2001 and he is currently pursuing a degree of Master of Business Administration at Fudan University (復旦大學).

SONG Jiamin (宋佳敏), aged 41, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting in management in the work relating to Baozen Business Division. Mr. Song currently serves as the general manager of Shanghai Baozen Yuexin Automobile Sales and Service Co., Ltd. (上海寶誠悦鑫汽車銷售服務有限公司) and the director of the northern area of Baozen Business Division since 2018. Mr. Song joined us in 2003 and has over 17 years of working experience in the automotive industry. He successively served as the general manager of Nantong Baozen Automobile Sales and Service Co., Ltd. (南通寶誠汽車銷售服務有限公司), Wuxi Baozen Automobile Sales and Service Co., Ltd. (無錫寶誠汽車銷售服務有限公司) and Beijing Baozen Baiwang Automotive Sales & Service Co., Ltd. (北京寶誠百旺汽車銷售服務有限公司). Mr. Song served as the marketing chief officer and assistant general manager of Shanghai Baozen Zhonghuan Automobile Sales and Service Co., Ltd. (上海寶誠中環汽車銷售服務有限公司) from October 2007 to June 2013, and the assistant director of the marketing center of Yongda Automobile Group from June 2003 to October 2007. Mr. Song graduated from Shanghai Tongji University (上海同濟大學) with a major in mechanical manufacturing and automation in 2003. He is currently pursuing a degree of Master of Business Administration at China Europe International Business School (中歐國際工商學院).

Report of Directors

PRINCIPAL ACTIVITIES

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

The principal activities of the Group are as follows:

(i) new passenger vehicle sales;

(ii) repair and maintenance services;

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

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

(v) pre-owned vehicle business;

(vi) automobile rental services; and

(vii) finance leasing and small loan services.

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

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the Consolidated Financial Statements on pages 79 to 87 of this annual report.

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting to be held on May 20, 2021 (Thursday) (the "AGM") for the distribution of a final dividend of RMB0.288 per share for the year ended December 31, 2020. The final dividend is expected to be paid on or about June 18, 2021 (Friday) to the Shareholders whose names are listed on the register of members of the Company on May 27, 2021 (Thursday). On the basis of the total number of the Company's issued shares of 1,974,838,413 as of December 31, 2020, it is estimated that the aggregate amount of final dividend would be approximately RMB568.8 million. The actual total amount of final dividends to be paid will be subject to the total number of issued shares of the Company as at the record date for determining the entitlement of Shareholders to the final dividend. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

SHARE CAPITAL

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

RESERVES

Details of the movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 83 to page 84 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company has distributable reserves of RMB2,008.9 million in total available for distribution, of which RMB568.8 million has been proposed as final dividend payment for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 208 of this annual report.

BANK LOANS AND OTHER BORROWINGS

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

PROPERTY, PLANT AND EQUIPMENT

Save as disclosed in this annual report, as at December 31, 2020, the Company does not have any property held for development and/or sale or investment with any percentage ratio (as defined in Article 14.04(9)) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") exceeding 5%. Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the Consolidated Financial Statements.

CONTINGENT LIABILITIES

As at December 31, 2020, our Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our directors, the Company has maintained the amount of public float as required under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares of the Company. If Shareholders are unsure about the taxation implications of the purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the shares of the Company, they should consult an expert.

Report of Directors

BUSINESS REVIEW

Overview and performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management's Discussion and Analysis section on pages 8 to 31 of this annual report.

Environmental Policies and Performance

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

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

Compliance with Relevant Laws and Regulations

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

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

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

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

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

Key Relationships with Stakeholders

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

With respect to human resources management, the Group has been devoting continuous efforts in three aspects, namely, talent introduction, talent training and performance appraisal. A description of the Group's policies on human resources management is set out in the Management Discussion and Analysis section on page 19 of this annual report.

With respect to customer retention management, the Group has been committed in providing personalized, comprehensive, innovative and convenient services with high quality to our customers. Adhering to the concept of enhancing customer experience, the Group has provided services and e-commerce platforms to improve customers' satisfaction and attract new customers to visit the Group's outlets. Details of which are set out in the Management Discussion and Analysis section on page 19 of this annual report.

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

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

Key Risks and Uncertainties

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

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

Risk of damage to brand recognition

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

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

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

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

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

Market Risks

The Group is exposed to various types of market risks, including currency risk, interest rate risk, credit risk and liquidity risk. Details of such risks are set out in note 46 to the Consolidated Financial Statements in this annual report.

Significant Investments, Material Acquisitions and Disposals

Save as disclosed in this annual report, for the year ended December 31, 2020, the Company did not hold any significant investments, and the Company did not conduct any major acquisitions or disposals of subsidiaries, associates and joint ventures. Save as disclosed in this annual report, for the year ended December 31, 2020 to the date of this annual report, the Company has no plans to make significant investments or purchase capital assets in the future.

PROSPECTS

A description of the future development in the Company's business is provided in the Chairman's Statement and the Management Discussion and Analysis on page 4 and pages 30 to 31 respectively of this annual report.

EVENTS AFTER THE REPORTING PERIOD

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

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. WANG Liqun

Independent Non-executive Directors

Ms. ZHU Anna Dezhen
Mr. LYU Wei
Mr. MU Binrui

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 32 to 39 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. MU Binrui, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the independent non-executive Directors have been independent from the date of their appointments to December 31, 2020 and remain so as of the date of this annual report.

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

As at December 31, 2020, the interests and short positions of the Directors and chief executives 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On [(1)]	Founder of a discretionary trust	399,409,500	20.225
	Interest of controlled corporation	197,080,000	9.980
	Beneficial owner	9,303,000	0.471
Mr. CAI Yingjie [(2)]	Interest of controlled corporation	60,288,000	3.053
	Beneficial owner	674,500	0.034
Mr. WANG Zhigao [(3)]	Interest of controlled corporation	28,160,000	1.426
	Beneficial owner	910,500	0.046
Mr. XU Yue	Beneficial owner	4,748,000	0.240
Ms. CHEN Yi	Beneficial owner	1,692,000	0.086

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 399,409,500 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 60,288,000 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 28,160,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.

(B) Long positions in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percent of underlying shares over the Company's issued share capital (%)
Mr. XU Yue	Beneficial owner	3,000,000	0.152
Ms. CHEN Yi	Beneficial owner	800,000	0.041

Save as disclosed above, as at December 31, 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at December 31, 2020, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Substantial Shareholder	Capacity/Nature of Interest	Total number of shares	Appropriate Percentage of Shareholdings (%)
Palace Wonder (1)	Beneficial owner	399,409,500	20.225
Regency Valley (1)	Interest of controlled corporation	399,409,500	20.225
HSBC International Trustee Limited (1)	Trustee	399,409,500	20.225
Asset Link (2)	Beneficial owner	197,080,000	9.980

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 399,409,500 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 December 31, 2020, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

On June 12, 2020, an aggregate of 120,000,000 existing ordinary shares (the "Placing Share(s)") 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 and whose ultimate beneficial owners are third parties independent of and not acting in concert (as defined under the Takeovers Code) with the Subscriber (as defined below), the Company, its subsidiaries and their respective connected persons and who are professional, institutional or other investors) at the placing price of HK$8.29 per Placing 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 (the "Subscriber") as subscriber (the "Placing and Subscription Agreement"). The placing price represented a discount of approximately 7.48% to the closing price of HK$8.960 per share as quoted on the Stock Exchange on the June 9, 2020, being the last trading day prior to the signing of the Placing and Subscription Agreement. The net placing price, after deduction of the relevant expenses, is approximately HK$8.19 per share. The aggregated nominal value of the Placing Shares was HK$1,200,000.

On June 23, 2020, a top-up subscription of 120,000,000 new ordinary shares was completed whereby 120,000,000 new ordinary shares were allotted and issued to Asset Link which is wholly owned by Mr. CHEUNG Tak On, our controlling Shareholder and executive Director, at a subscription price of HK$8.29 per share (the "Subscription") pursuant to the Placing and Subscription Agreement under the general mandate granted to the Board at the annual general meeting of the Company held on May 31, 2019.

The Directors considered that it would be in the interests of the Company to raise equity funding via the Placing and the Subscription to broaden its Shareholder base, strengthen the capital base and to enhance its financial position and net assets base for long-term development and growth.

The net proceeds of the subscription were approximately HK$983 million, and shall be used for further expansion of its 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 any change in market conditions, which is same with the intentions previously disclosed by the Company in its announcements dated June 10, 2020 and June 23, 2020 in relation to placing of existing shares and top-up subscription of new shares under general mandate, and there was no significant change or delay. During the reporting period, the net proceeds from the subscription have all been utilized according to the above plan.

ISSUANCE OF DEBT SECURITIES

On April 23, 2020, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment"), a subsidiary of the Company, 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. As at December 31, 2020, the super short-term commercial papers were not due and outstanding. For further details, please refer to note 35 to the Consolidated Financial Statements.

On March 17, 2020, Shanghai Yongda Investment issued a medium-term note, with an aggregate registered amount of RMB370 million. The principal of the medium-term note shall be repaid at maturity date, while the interest shall be paid annually. The medium-term note is unsecured and carries interest at a rate of 4.8% per annum. 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. As at December 31, 2020, the medium-term note was not due and outstanding. For further details, please refer to note 36 to the Consolidated Financial Statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Our History and Reorganisation — Onshore Reorganisation" in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the Directors and controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2020.

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

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition in respect of the financial year ended December 31, 2020 based on the information and confirmation provided by or obtained from the controlling Shareholders, and were satisfied that the controlling Shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 49 to the Consolidated Financial Statements, the following transactions constitute continuing connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. Except as disclosed below, other related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the following continuing connected transactions. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

On December 29, 2017, the Company, as the lessee, entered into a properties leasing agreement with Yongda Holding, as the lessor (the "2018 Properties Leasing Agreement") whereby Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years commencing from January 1, 2018 and ended on December 31, 2020.

The aggregate sum of rental paid by the Group under the 2018 Properties Leasing Agreement for each of the three years ended December 31, 2018, 2019 and 2020 are RMB33,552,000, RMB33,389,000 and RMB33,291,000, respectively. The rental payable was determined with reference to the historical rental amounts and the prevailing market rates of properties with similar locations and sizes. The annual caps under the 2018 Properties Leasing Agreement for each of the three years ended 31 December 2018, 2019 and 2020 are RMB38,060,000, RMB38,060,000 and RMB38,060,000, respectively. As one or more of the applicable percentage ratios for the annual caps under the 2018 Properties Leasing Agreement for the three years ended December 31, 2020 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2018 Properties Leasing Agreement are exempt from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties are for the purpose of the Group's operation of passenger vehicles sales and services and proprietary finance business which are used for its 4S dealerships, city showrooms, repair and maintenance service centres and proprietary finance outlets. For details of the 2018 Properties Leasing Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated December 29, 2017 and note 49 to the Consolidated Financial Statements.

On 25 November 2020, the Company entered into a new properties leasing agreement, as the lessee, with Yongda Holding, as the lessors (the "2021 New Properties Leasing Agreement") whereby Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years commencing from 1 January 2021 and ending on 31 December 2023.

As Yongda Holding is a majority-controlled company indirectly held by Mr. Cheung Tak On, being the controlling Shareholder and a Director of the Company, Yongda Holding is a connected person of the Company and the Continuing Connected Transactions contemplated under the 2018 Properties Leasing Agreement and the 2021 New Properties Leasing Agreement would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

After taking into consideration of the maximum annual rent not exceeding RMB38.5 million, the annual caps of the right-in-use assets recognized under the 2021 New Properties Leasing Agreement for each of the three years ending 31 December 2021, 2022 and 2023 are RMB103 million, RMB103 million and RMB103 million, respectively. As one or more of the applicable percentage ratios for the annual caps under the 2021 New Properties Leasing Agreement for the three years ending December 31, 2023 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2021 New Properties Leasing Agreement are exempt from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties under the 2021 New Properties Leasing Agreement are mainly used for the Group's 4S dealerships, city showrooms, repair and maintenance service centres and offices. For details of the 2021 New Properties Leasing Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated November 25, 2020.

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

The Directors of the Company, including independent non-executive Directors, have reviewed and confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; (iii) according to the relevant agreement (including the pricing principle and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests the Shareholders as a whole; and (iv) the Company has complied with the pricing guidelines and has adopted internal control measures when determining the prices and terms of the transactions conducted during the year mentioned above.

For the work carried out by the management of the Company to confirm: (a) whether the relevant transaction has been carried out in accordance with the pricing policy or mechanism under the framework agreement; and (b) whether the internal control procedures of the Company are sufficiently effective to ensure that the relevant transaction is carried out properly, please refer to "Risk Management and Internal Controls" on pages 70 to 72 of this annual report.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Saved as disclosed in "Connected and Continuing Connected Transactions" section above, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2020 or at the end of the year ended December 31, 2020.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the "Connected and Continuing Connected Transactions" section above, no contract of significance was entered into between the Company, or one of its subsidiaries companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2020.

MANAGEMENT CONTRACTS

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify and hold harmless out of the assets of the Company, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any Director (including alternate Directors or person serves at the request of the Company as a Director) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Director. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended December 31, 2020.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2020, the Group had 16,177 employees (including employees in all regions of the Group). The remuneration of the employees includes salaries and allowances. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group offers competitive remuneration packages to the Directors, and the Board is delegated by the Shareholders at general meeting to fixed the Directors' remuneration. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on October 10, 2013 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time. Eligible persons include (a) any Director (whether executive or non-executive, including any independent non-executive Director) or employee (whether full time or part time) of the Group; (b) any supplier to the Group; (c) any customer of the Group; (d) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group; (e) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (f) any joint venture partner, business or strategic alliance partner, in each case, of any member of the Group; and (g) any discretionary trust whose discretionary objects may be any person belonging to any of the above classes (a) to (f) (the "Eligible Persons"). The Share Option Scheme shall be valid and effective for a period of 10 years commencing from October 10, 2013, being the date on which the Shareholders approved the Share Option Scheme, and shall expire on October 13, 2023, after which period no further share option shall be granted. Therefore, as at December 31, 2020, the remaining life of the Share Option Scheme was approximately two years and ten months.

Under the Share Option Scheme, the Remuneration Committee will from time to time propose for the Board's approval for grant of share options and the number of share options to be granted to the relevant grantees. The aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any new share option scheme of the Company which may be adopted hereafter must not, in aggregate, exceed 10 per cent of the total number of issued shares as at the date of adoption of the Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time. As at the date of this annual report, the number of shares of the Company available for issue under the Share Option Scheme amounts to 106,385,250 Shares, representing approximately 5.39% of the total number of issued shares of the Company.

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

The exercise 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 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 Stock Exchange for the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of a share of the Company.

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

On December 4, 2020, the Company granted a total of 12,000,000 share options under the Share Option Scheme to a total of 16 grantees (including two Directors, eight key management personnel and six other employees), 3,800,000 share options of which are granted to the Directors, with the exercise price of HK$13.920 per share.

Further details of the Share Option Scheme are set out in the announcement of the Company dated December 6, 2020 and note 39 to the Consolidated Financial Statements.

Details of movements in the options granted under the Share Option Scheme during the year ended December 31, 2020 are as follows:

Category and Name of grantee	Number of Share Options: As at January 1, 2020	Granted during the year	Forfeited during the year	Exercised during the year	Lapsed during the year	Expired during the year	As at December 31, 2020	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share	Closing price of the Company's shares immediately before the grant date of options HK$ per share	Weighted average closing price of the Company's shares: Immediately before the exercise dates HK$ per share	At dates of options exercise HK$ per share
Executive Directors													
XU Yue	2,400,000	–	–	2,400,000	–	–	–	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	8.821	9.189
	–	3,000,000	–	–	–	–	3,000,000	December 4, 2020	December 4, 2020 to December 3, 2025	13.920	13.700	–	–
CHEN Yi	–	800,000	–	–	–	–	800,000	December 4, 2020	December 4, 2020 to December 3, 2025	13.920	13.700	–	–
Non-executive Director													
WANG Liqun	200,000	–	–	200,000	–	–	–	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	7.025	7.006
Independent Non-executive Directors													
ZHU Anna Dezhen	200,000	–	–	–	–	200,000	–	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
LYU Wei	200,000	–	–	200,000	–	–	–	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	7.560	7.502
Other Employees in aggregate	9,294,500	–	–	9,228,450	–	66,050	–	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	8.975	9.172
	8,941,000	–	–	2,593,500	1,227,000	–	5,120,500	June 19, 2017	June 19, 2017 to June 19, 2022	8.140	8.020	11.024	11.430
	–	8,200,000	–	–	–	–	8,200,000	December 4, 2020	December 4, 2020 to December 3, 2025	13.920	13.700	–	–
Other grantees/ participants in aggregate*	200,000	–	–	200,000	–	–	–	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	8.745	8.289

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

AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

The Company's 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 the Company's 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 BOCI Trustee (Hong Kong) Limited ("BOCI HK Trustee") via special purpose vehicle under the Employee Pre-IPO Incentive Scheme (the "Scheme Shares") will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme. Under the Pre-IPO Employee Incentive Scheme, the total number of Shares underlying the restricted Shares to be granted from time to time must not be, in any event, exceed 5% of the number of the Shares in issue on such date without the Board's prior approval.

Unless terminated earlier by a resolution of the Board made in accordance with the terms of the trust deed, the Employee Pre-IPO Incentive Scheme has a term of 80 years from the listing date of the Company. Therefore, as at December 31, 2020, the remaining life of the Employee Pre-IPO Incentive Scheme was approximately 71 years and six months. On termination of the Employee Pre-IPO Incentive Scheme, BOCI HK Trustee will transfer the Scheme Shares to Yongda Holding, unless the board of directors of Yongda Holding request the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of BOCI HK Trustee, the Articles of Association and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

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

On June 18, 2020, the Board resolved to amend the Amended Scheme ("2020 Amended Scheme") to the effect that, and any reference in Amended Scheme to the previous trustee namely HSBC Trustee (Hong Kong) Limited shall be changed to the new trustee namely BOCI Trustee (Hong Kong) Limited.

During the year, 4,615,000 restricted shares were awarded to eligible persons in accordance with the terms of the 2020 Amended Scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2020, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 27.9% and 68.0%. The percentage of the total sales attributable to the Group's five largest customers was below 30% of the total sales in the Group.

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

CHARITABLE DONATIONS

The donations by the Group for the year ended December 31, 2020 amounted to RMB9.35 million.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDITOR

The Consolidated Financial Statements of the Group for the year ended December 31, 2020 have been audited by Deloitte Touche Tohmatsu, certified public accountants.

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

RECORD DATE OF AGM

Shareholders whose names appear on the register of members of the Company at the close of business on May 13, 2021 (Thursday) (the "Record Date") will be entitled to attend the AGM to be held on May 20, 2021 (Thursday). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from May 27, 2021 (Thursday) to May 31, 2021 (Monday), both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 26, 2021 (Wednesday).

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

PRC, March 16, 2021

Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

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

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

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices and the Company was in compliance with the code provisions of the CG Code during the year ended December 31, 2020.

A. THE BOARD

1. Responsibilities

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

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

2. Delegation of Management Function

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

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

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

3. **Board Composition**

During the reporting year, the Board of the Company comprises the following Directors:

Executive Directors	Mr. CHEUNG Tak On *(Chairman)*
	Mr. CAI Yingjie *(Vice-chairman and Chief Executive Officer)*
	Mr. WANG Zhigao *(Vice-chairman)*
	Mr. XU Yue *(Vice-chairman and President)*
	Ms. CHEN Yi *(Vice-chairman)*
Non-executive Director	Mr. WANG Liqun
Independent Non-executive Directors	Ms. ZHU Anna Dezhen
	Mr. LYU Wei
	Mr. MU Binrui

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

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

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

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

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

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

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

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

5. **Induction and Continuing Development for Directors**

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

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

The training records of the Directors for year ended December 31, 2020 are summarized as follows:

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

6. **Board Meetings and General Meetings**

Number of Meetings and Directors' Attendance

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

The Board met five times during the year ended December 31, 2020 for discussing and approving, among others, the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended December 31, 2019, unaudited interim results for the six months ended June 30, 2020, declaration of special dividend, placing of shares, entering into continuing connected transactions, acquisition of assets and business, change of a joint company secretary, and grant of share options.

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

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

* One annual general meeting was held during the year ended December 31, 2020 on June 18, 2020.

Practices and Conduct of Meetings

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

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

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

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

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

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

B. CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

C. BOARD COMMITTEES

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

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

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

1. **Remuneration Committee**

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

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

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

The Remuneration Committee held two meetings during the year ended December 31, 2020 to review, among others, the remuneration policy and structure of the Company, and consider and make recommendation to the Board on the remuneration for non-executive directors and independent non-executive directors as all as the proposal on special incentive of senior management.

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

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

Details of the Directors' remuneration are set out in note 10 to the Consolidated Financial Statements. In addition, the remuneration of each member of our senior management (except for members who are also Directors) for the year ended December 31, 2020 is below RMB1.2 million.

2. **Audit and Compliance Committee**

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

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

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held two meetings during the year ended December 31, 2020 to review, among others, the unaudited interim results and report for the six months ended June 30, 2020, the financial reporting and the compliance matters, compliance with the corporate governance policy and practice, the audited annual results and financial report for the year ended December 31, 2019, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditors, the service fees due to the external auditor as well as the re-appointment of external auditors.

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

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

The Company's annual results for the year ended December 31, 2020 have been reviewed by the Audit and Compliance Committee on March 16, 2021.

3. Nomination Committee

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

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

The Nomination Committee held one meeting during the year ended December 31, 2020 to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company, to assess the independence of the independent non-executive Directors, to consider the credentials of the independent non-executive Director candidate, to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2020 annual general meeting of the Company.

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

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

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

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

The Board has adopted the Board Diversity Policy, a summary which is set out below:

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

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

D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended December 31, 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.

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

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

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

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 77 to 78 of this annual report.

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

During the year, the remuneration paid to the external auditor of the Company in respect of audit services for the year ended December 31, 2020 amounted to RMB6.92 million.

G. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On the basis of the aforesaid, during the year ended December 31, 2020, the Audit and Compliance Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal controls of the Company.

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

To promote effective communication, the Company maintains a website at www.ydauto.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. During the year ended December 31, 2020, the Company did not make any changes to its memorandum and Articles of Association. An up-to-date version of the Company's memorandum and Articles of Association is also available on the websites of the Company and the Stock Exchange.

I. DIVIDEND DISTRIBUTION POLICY

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

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

J. SHAREHOLDERS' RIGHTS

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

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

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

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

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

K. JOINT COMPANY SECRETARIES

Reference is made to the Company's announcement dated November 25, 2020, Ms. Mok Ming Wai ("Ms. Mok") has resigned and Ms. So Ka Man ("Ms. So") has been appointed as a joint company secretary of the Company with effect from November 25, 2020. Ms. So is currently a director of Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. She has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. So is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Chartered Governance Institute (CGI) (formerly The Institute of Chartered Secretaries and Administrators). Ms. So is a holder of the Practitioner's Endorsement from HKICS. Ms. So obtained a bachelor's degree in arts (accountancy) from the Hong Kong Polytechnic University.

Ms. ZHANG Hong ("Ms. Zhang") has been served as another joint company secretary of the Company since March 20, 2018. Ms. Zhang is currently a Vice-president of the Group. As Ms. Zhang did not possess the qualifications required to act as the company secretary under Rule 3.28 of the Listing Rules at the times of her appointment and Ms. Mok's resignation, the Company has applied and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period from the appointment date of Ms. Zhang to March 19, 2021 (the "Waiver Period"). Before the end of the Waiver Period, the Stock Exchange has agreed that Ms. Zhang has the qualifications required to act as the company secretary of the Company under Rule 3.28 of the Listing Rules. Ms. Zhang worked and communicated closely with each of Ms. Mok and Ms. So to discharge the functions of joint company secretaries during the year.

During the year ended December 31, 2020, each of Ms. Zhang and Ms. So has undertaken over 15 hours of professional training to update their skills and knowledge.

Mr. WANG Zhigao and Ms. So have been engaged by the Company as authorized representatives under the Listing Rules.

L. GOING CONCERN

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

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 207, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising from acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the complexity and significant judgements and management estimation involved in the assessment process. Determining whether goodwill is impaired required management's estimation of the value in use of the cash generating units ("CGUs") to which goodwill has been allocated. As disclosed in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and assumptions including regarding the discount rates, sales volume growth rates, changes in selling prices and direct costs that involve the management's judgments. As at December 31, 2020, the carrying amount of goodwill was approximately RMB1,396,802,000. No impairment loss has been recognized against goodwill for the year then ended. Details of such judgements and estimations are disclosed in Note 18 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Obtaining an understanding of the management control processes over impairment assessment of goodwill; • Assessing the methodology used by the managements to determine the recoverable amounts which are the value in use of CGUs to which goodwill has been allocated; • Obtaining the value in use calculations of the CGUs to which the goodwill has been allocated and understanding the key management assumptions adopted in these calculations through enquiries with management; • Evaluating key inputs and assumptions used by the management in estimations of value in use, including discount rates applied, sales volume growth rates, selling prices and direct costs; and • Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective CGU as well as our knowledge of the business.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 16, 2021

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue			
Goods and services		**67,584,976**	61,700,114
Rental		**552,004**	517,955
Interests		**396,870**	489,311
Total revenue	5A/B	**68,533,850**	62,707,380
Cost of sales and services		**(62,168,526)**	(56,843,461)
Gross profit		**6,365,324**	5,863,919
Other income and other gains and losses	6	**1,178,441**	1,177,263
Distribution and selling expenses		**(3,003,209)**	(2,732,514)
Administrative expenses		**(1,615,976)**	(1,489,818)
Profit from operations		**2,924,580**	2,818,850
Share of (loss) profit of joint ventures	19	**(1,915)**	8,792
Share of profit of associates	20	**47,643**	26,288
Finance costs	7	**(675,515)**	(778,148)
Profit before tax	9	**2,294,793**	2,075,782
Income tax expense	8	**(561,708)**	(506,728)
Profit for the year		**1,733,085**	1,569,054
Profit for the year attributable to:			
Owners of the Company		**1,624,961**	1,472,984
Non-controlling interests		**108,124**	96,070
		1,733,085	1,569,054
Earnings per share – basic	13	**RMB0.85**	RMB0.80
Earnings per share – diluted	13	**RMB0.85**	RMB0.80

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	2020 *RMB'000*	2019 *RMB'000*
Profit for the year	**1,733,085**	1,569,054
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Fair value gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	**2,289**	1,331
Total comprehensive income for the year	**1,735,374**	1,570,385
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,627,250**	1,474,315
Non-controlling interests	**108,124**	96,070
	1,735,374	1,570,385

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	14	**6,012,300**	6,105,406
Right-of-use assets	15	**2,992,826**	3,032,974
Goodwill	16, 18	**1,396,802**	1,236,585
Other intangible assets	17	**2,333,346**	2,064,888
Deposits paid for acquisition of property, plant and equipment		**78,390**	149,156
Deposits paid for acquisition of land use rights		**41,153**	41,153
Equity instruments at FVTOCI	22	**12,947**	10,658
Financial assets at fair value through profit or loss ("FVTPL")	21	**354,934**	340,542
Interests in joint ventures	19	**92,795**	97,415
Interests in associates	20	**502,155**	462,167
Finance lease receivables	23	**425,313**	1,385,578
Loan receivables	24	**4,618**	33,356
Deferred tax assets	33	**208,976**	209,507
Other assets	25	**76,195**	30,000
		14,532,750	15,199,385
Current assets			
Inventories	26	**4,855,794**	5,626,803
Finance lease receivables	23	**1,988,522**	2,193,384
Loan receivables	24	**109,303**	321,551
Trade and other receivables	25	**7,510,504**	6,847,000
Financial assets at FVTPL	21	**302,525**	–
Amounts due from related parties	49	**180,018**	152,134
Cash in transit	27	**94,939**	150,872
Time deposits	28	**363,175**	322,903
Restricted bank balances	28	**1,720,094**	2,450,362
Bank balances and cash	28	**3,079,867**	2,210,423
		20,204,741	20,275,432

(Continued)

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and other payables	29	**5,806,835**	7,070,534
Amounts due to related parties	49	**32,279**	2,809
Income tax liabilities		**1,057,033**	729,718
Borrowings	34	**6,433,683**	10,129,408
Contract liabilities	30	**2,369,198**	1,725,445
Lease liabilities	37	**197,571**	174,747
Super short-term commercial papers	35	**99,951**	–
Derivative financial liabilities	31	**47,029**	12,606
		16,043,579	19,845,267
Net current assets		**4,161,162**	430,165
Total assets less current liabilities		**18,693,912**	15,629,550
Non-current liabilities			
Borrowings	34	**3,220,732**	2,722,575
Lease liabilities	37	**1,749,194**	1,658,623
Other liabilities	29	**11,282**	31,961
Deferred tax liabilities	33	**705,895**	659,301
Medium-term note	36	**367,543**	–
Derivative financial liabilities	31	**283,607**	104,493
		6,338,253	5,176,953
Net assets		**12,355,659**	10,452,597
Capital and reserves			
Share capital	32	**16,306**	15,080
Reserves		**11,815,430**	9,866,460
Equity attributable to owners of the Company		**11,831,736**	9,881,540
Non-controlling interests	38	**523,923**	571,057
Total equity		**12,355,659**	10,452,597

The consolidated financial statements on pages 79 to 207 were approved and authorized for issue by the Board of Directors on March 16, 2021 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Special reserve RMB'000 (note b)	Share-based payments reserve RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2019	15,063	2,233,642	1,181,286	221,500	108,382	(9,372)	5,042,917	8,793,418	532,074	9,325,492
Profit for the year	–	–	–	–	–	–	1,472,984	1,472,984	96,070	1,569,054
Other comprehensive income for the year	–	–	–	–	–	1,331	–	1,331	–	1,331
Total comprehensive income for the year	–	–	–	–	–	1,331	1,472,984	1,474,315	96,070	1,570,385
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	7,094	7,094
Acquisition of non-controlling interests	–	–	–	(899)	–	–	–	(899)	(3,862)	(4,761)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,266)	(1,266)
Recognition of equity-settle share-based payments *(Note 39)*	–	–	–	–	22,732	–	–	22,732	–	22,732
Exercise of share options	17	6,301	–	–	–	–	–	6,318	–	6,318
Transfer to statutory reserve	–	–	227,361	–	–	–	(227,361)	–	–	–
Dividends recognized as distributions *(Note 12)*	–	(413,717)	–	–	–	–	–	(413,717)	–	(413,717)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(59,053)	(59,053)
Other adjustments	–	–	–	(627)	–	–	–	(627)	–	(627)
At December 31, 2019	15,080	1,826,226	1,408,647	219,974	131,114	(8,041)	6,288,540	9,881,540	571,057	10,452,597
Profit for the year	–	–	–	–	–	–	1,624,961	1,624,961	108,124	1,733,085
Other comprehensive income for the year	–	–	–	–	–	2,289	–	2,289	–	2,289
Total comprehensive income for the year	–	–	–	–	–	2,289	1,624,961	1,627,250	108,124	1,735,374
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	16,600	16,600
Disposal of partial interest of subsidiaries without losing control	–	–	–	(2,027)	–	–	–	(2,027)	15,598	13,571
Acquisition of non-controlling interests *(Note 42)*	–	–	–	(172,475)	–	–	–	(172,475)	(117,991)	(290,466)
Disposal of subsidiaries *(Note 41)*	–	–	–	–	–	–	–	–	(3,177)	(3,177)
Recognition of equity-settle share-based payments *(Note 39)*	–	–	–	–	31,254	–	–	31,254	–	31,254
Exercise of share options	132	59,470	–	–	–	–	–	59,602	–	59,602
Placement and subscription *(Note 32)*	1,094	903,133	–	–	–	–	–	904,227	–	904,227
Issue costs for the placement and subscription	–	(11,181)	–	–	–	–	–	(11,181)	–	(11,181)
Transfer to statutory reserve	–	–	275,311	–	–	–	(275,311)	–	–	–
Dividends recognized as distributions *(Note 12)*	–	(486,454)	–	–	–	–	–	(486,454)	–	(486,454)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(66,288)	(66,288)
At December 31, 2020	16,306	2,291,194	1,683,958	45,472	162,368	(5,752)	7,638,190	11,831,736	523,923	12,355,659

Notes:

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

b. The special reserve mainly consisted of:

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

   (ii) a reduction of reserve of approximately RMB288,175,000 representing the accumulated difference between the consideration paid/received and the carrying amount of the non-controlling interests upon acquisition or disposal of partial interests in subsidiaries.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,294,793**	2,075,782
Adjustments for:		
Finance costs	**675,515**	778,148
Interest income on bank deposits	**(47,283)**	(22,996)
Interest income from a related party	**(2,304)**	(3,456)
Loss on disposal of subsidiaries	**9,526**	2,885
Loss on disposal of an associate	**–**	53
Depreciation of property, plant and equipment	**748,865**	685,018
Depreciation of right-of-use assets	**284,173**	247,380
Amortization of intangible assets	**60,957**	44,529
Share-based payment expenses	**31,254**	22,732
Gain on disposal of property, plant and equipment and other intangible assets	**(22,746)**	(22,473)
Loss (gain) on fair value change of financial assets at FVTPL	**7,159**	(23,153)
Provision (reversal) of impairment of loan receivables	**1,134**	(1,352)
Provision (reversal) of impairment of finance lease receivables	**3,798**	(143)
Loss on changes in fair value of derivative financial instruments, net	**228,137**	117,099
Foreign exchange gain	**(228,137)**	(117,099)
Share of profit of associates	**(47,643)**	(26,288)
Share of loss (profit) of joint ventures	**1,915**	(8,792)
Operating cash flows before movements in working capital	**3,999,113**	3,747,874
Decrease in inventories	**987,494**	422,805
Increase in trade and other receivables	**(651,588)**	(499,475)
Decrease in finance lease receivables	**1,161,329**	42,841
Decrease in loan receivables	**239,852**	160,486
Decrease in cash in transit	**55,933**	66,096
Decrease in other liabilities	**(10,862)**	(66,936)
Increase in contract liabilities	**643,753**	159,752
(Decrease) increase in trade and other payables	**(1,142,957)**	977,591
Decrease in amounts due from related parties	**77**	11,646
Decrease in amounts due to related parties	**(258)**	(68)
Withdrawal of restricted bank balances	**2,450,362**	1,754,453
Placement of restricted bank balances	**(1,720,094)**	(2,450,362)
Cash generated from operations	**6,012,154**	4,326,703
Income taxes paid	**(283,134)**	(217,984)
NET CASH FROM OPERATING ACTIVITIES	**5,729,020**	4,108,719

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 *RMB'000*	2019 *RMB'000*
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(944,396)**	(1,708,548)
Purchase of intangible assets	**(47,419)**	(44,922)
Purchase of financial assets at FVTPL	**(632,525)**	(40,000)
Refund of financial assets at FVTPL	**308,449**	125,259
Payments for right-of-use assets	**–**	(6,500)
Proceeds on disposal of property, plant, intangible assets and equipment and right-of-use assets	**505,805**	447,780
Advance to related parties	**(28,492)**	(7,809)
Advance to third parties	**(290)**	–
Collection of advance to non-controlling interests	**409**	100
Collection of advance to related parties	**–**	3,786
Collection of advance to independent third parties	**8,693**	6,974
Settlement of consideration for prior year acquisition of subsidiaries	**(153,898)**	(34,197)
Acquisition of subsidiaries *(Note 40)*	**(693,971)**	(634,734)
Payments for rental deposits	**(4,505)**	(1,899)
Proceeds on disposal of subsidiaries *(Note 41)*	**(9,534)**	11,432
Proceeds on disposal of an associate	**–**	147
Interest received	**50,384**	23,993
Dividends received from joint ventures	**2,705**	8,460
Dividends received from associates	**10,490**	15,000
Investment income received from financial assets at FVTPL	**–**	984
Investments in associates	**–**	(12,946)
Placement of time deposits	**(366,166)**	(322,903)
Withdrawal of time deposits	**325,894**	38,600
NET CASH USED IN INVESTING ACTIVITIES	**(1,668,367)**	(2,131,943)

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**29,930,777**	29,795,483
Repayment of borrowings	**(32,941,851)**	(26,933,313)
Proceeds from issue of medium term note	**370,000**	–
Proceeds from issue of super short-term commercial papers	**100,000**	–
Repayment of corporate bonds	**–**	(2,000,000)
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)
Repayment of leases liabilities	**(207,516)**	(153,047)
Prepayment of advance from a related party	**(5,524)**	(19,968)
Capital injection by non-controlling interests	**16,600**	7,094
Acquisition of non-controlling interests *(Note 42)*	**(264,280)**	(4,761)
Proceeds from partial disposal of subsidiaries without losing control	**13,571**	–
Advance from non-controlling interests	**435,229**	1,204
Advance from related parties	**35,252**	18,732
Repayment of advance from non-controlling interests	**(381,239)**	(7,786)
Interest paid	**(692,715)**	(794,671)
Placement of deposits to entities controlled by suppliers for borrowings	**(81,197)**	(88,954)
Withdrawal of deposits to entities controlled by suppliers for borrowings	**83,482**	122,276
Dividends paid as distribution	**(486,454)**	(413,717)
Dividends paid to non-controlling interests	**(66,332)**	(57,076)
Proceeds from exercise of share options	**59,602**	6,318
Proceeds from placement and subscription	**904,227**	–
Issue costs paid for the placement and subscription	**(11,181)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(3,191,209)**	(1,822,561)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**869,444**	154,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,210,423**	2,056,208
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**3,079,867**	2,210,423

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. GENERAL INFORMATION

China Yongda Automobiles Services Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company’s registered office is located at One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is Unit 5708, 57/F, The Center, 99 Queen’s Road Central, Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services, provision of automobile operating lease services, provision of proprietary finance business service, and distribution of automobile insurance products and automobile financial products in the PRC. The Company and its subsidiaries are collectively referred to as the Group.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

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

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

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 year had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- 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.

The application of the amendment had no impact to the opening retained profits at January 1, 2020. The Group has benefited from 1 to 2 months waiver of lease payments on several leased properties. The Group has derecognized the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB15,080,000, which has been recognized as variable lease payments in profit or loss for the current year.

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IFRS Standards	*Annual Improvements to IFRS standards 2018-2020*[2]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2021

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In additional, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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

Business combinations or asset acquisitions

Optional concentration test

Effective from January 1, 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permit a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitons

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognize the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Goodwill

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

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

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

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

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

Investments in associates and joint ventures

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associates or joint ventures.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

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

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

Output method

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

Principal versus Agent

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

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

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

Contract costs

Costs to fulfil a contract

The Group first assesses whether costs incurred to fulfil revenue generate contracts qualify for recognition as an asset in terms of other relevant Standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is also subject to impairment review.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are amounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

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

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

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

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

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

Covid-19-related rent concessions

In relation to rent concessions 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 of 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 if the changes are 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.

The Group as a lessor

Classification and measurement of leases

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Borrowing costs

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

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

Pension obligations

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff’s wages as contributions to the schemes. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payments transactions

Share options granted to the directors and employees of the Company

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

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

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

Taxation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirement to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to carrying amounts of right-of-use assets and lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure (continued)

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

Intangible assets acquired in a business combination

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

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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

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

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

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

Inventories

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

Vendor rebates

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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

A financial asset is held for trading if:

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

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

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

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

(i) Amortized cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI (continued)

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

(iii) Financial assets at FVTPL

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables – goods and service using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition/modification of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risk and rewards of ownership and continues to control the transfer asset, the Group recognize its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transfer financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from the original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flow under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modification contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortized over the remaining term. Any adjustment to the carrying amount of the financial asset is recognized in profit or loss at the date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidate statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amount; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the key inputs including discount rate applied, sales volume growth rates, changes in selling price and direct costs in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at December 31, 2020, the carrying amount of goodwill is RMB1,396,802,000 (2019: RMB1,236,585,000). Details of the recoverable amount calculation are disclosed in Note 18.

Deferred tax asset

As at December 31, 2020, a deferred tax asset of approximately RMB184,650,000 (2019: RMB168,517,000) in relation to unused tax losses for certain operating subsidiaries has been recognized in the Group's consolidated statement of financial position. No deferred tax asset has been recognized on the tax losses of RMB45,761,000 (2019: RMB127,360,000) due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement

Certain of the Group's financial assets amounting to RMB351,493,000 as at December 31, 2020 (2019: RMB333,963,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 46(c) for further disclosures.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's finance lease receivables, loan receivables and trade receivables are disclosed in Notes 23, 24, 25 and 46(b) respectively.

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

The Group's management determines the estimated useful lives and the amortization method in determining the related amortization charges for the intangible assets acquired through business combinations, namely, dealership agreement and customer relationship as disclosed in Note 17. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortization charges when useful lives become shorter than previously estimated. In addition, determining whether the intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2020, the carrying amounts of intangible assets acquired in business combinations are approximately RMB1,935,341,000 (2019: RMB1,692,026,000).

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

The Group's management determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge when useful lives become shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the year in which such event takes place. As at December 31, 2020 and 2019, the carrying amounts of property, plant and equipment are approximately RMB6,012,300,000 and RMB6,105,406,000, respectively.

5A. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2020 *RMB'000*	2019 *RMB'000*
Types of goods or services		
Sale of passenger vehicles:		
– Luxury and ultra-luxury brands *(note a)*	48,874,098	43,692,364
– Mid- to high-end brands *(note b)*	9,140,216	9,119,237
	58,014,314	52,811,601
Services		
– After-sales services	9,570,662	8,888,513
Total	67,584,976	61,700,114
Geographical markets		
Mainland China	67,584,976	61,700,114
Timing of revenue recognition		
A point in time	58,014,314	52,811,601
Over time	9,570,662	8,888,513
Total	67,584,976	61,700,114

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, Xiaopeng and others.

5A. REVENUE (continued)

(i) 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 year ended December 31, 2020		For the year ended December 31, 2019	
	Sale of passenger vehicles	After-sales services	Sale of passenger vehicles	After-sales services
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue disclosed in segment information				
External customers	58,014,314	9,570,662	52,811,601	8,888,513
Inter-segment	214,296	5,768	123,077	8,109
Total	58,228,610	9,576,430	52,934,678	8,896,622
Eliminations	(214,296)	(5,768)	(123,077)	(8,109)
Revenue from contracts with customers	58,014,314	9,570,662	52,811,601	8,888,513

(ii) Performance obligations for contracts with customers

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

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

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

5A. REVENUE (continued)

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

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

(iv) Revenue from other segments

	2020 RMB'000	2019 RMB'000
Automobile operating lease services	552,004	517,955
Proprietary finance business	396,870	489,311

5B. OPERATING SEGMENTS

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

The Group's reportable segments are as follows:

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

- Automobile operating lease services; and

- Proprietary finance business.

5B. OPERATING SEGMENTS (continued)

Segment revenue and results

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

	Passenger vehicle sales and services *RMB'000*	Automobile operating lease services *RMB'000*	Proprietary finance business *RMB'000* *(note d)*	Eliminations *RMB'000*	Total *RMB'000*
For the year ended December 31, 2020					
External revenue	67,584,976	552,004	396,870	–	68,533,850
Inter-segment revenue	220,064	12,129	9,378	(241,571)	–
Segment revenue *(note a)*	67,805,040	564,133	406,248	(241,571)	68,533,850
Segment cost *(note b)*	(61,844,919)	(438,309)	(122,348)	237,050	(62,168,526)
Segment gross profit	5,960,121	125,824	283,900	(4,521)	6,365,324
Service income	1,107,973	–	–	(8,864)	1,099,109
Segment results	7,068,094	125,824	283,900	(13,385)	7,464,433
Other income and other gains and losses *(note c)*					79,332
Distribution and selling expenses					(3,003,209)
Administrative expenses					(1,615,976)
Finance costs					(675,515)
Share of loss of joint ventures					(1,915)
Share of profit of associates					47,643
Profit before tax					2,294,793

5B. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

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

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

5B. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

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

Notes:

a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2020 was approximately RMB67,805,040,000 (2019: RMB61,831,300,000) which included the sales of passenger vehicles amounting to approximately RMB58,228,610,000 (2019: RMB52,934,678,000) and the after-sales services revenue amounting to approximately RMB9,576,430,000 (2019: RMB8,896,622,000).

b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2020 was approximately RMB61,844,919,000 (2019: RMB56,460,006,000) which included the cost of sales of passenger vehicles amounting to approximately RMB56,674,572,000 (2019: RMB51,688,484,000) and the cost of after-sales services amounting to approximately RMB5,170,347,000 (2019: RMB4,771,522,000).

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

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

The accounting policies of the operating segments are the same as those of the Group described in *Note 3*. Segment result represents the profit before tax earned by each segment without allocation of other income and other gains and losses other than service income (Note 6), distribution and selling expenses, administrative expenses, finance costs, share of (loss) profit of joint ventures and share of profit of associates. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the executive directors of the Company.

Geographical information

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

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for the years ended December 31, 2020 and 2019.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Other income comprises:		
Service income *(note a)*	**1,099,109**	1,093,175
Government grants *(note b)*	**33,927**	12,743
Interest income on bank deposits	**47,283**	22,996
Interest income from a related party *(Note 49)*	**2,304**	3,456
	1,182,623	1,132,370
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment and other intangible assets	**22,746**	22,473
(Loss) gain on fair value change of financial assets at FVTPL	**(7,159)**	23,153
(Provision) reversal of impairment loss of loan receivables	**(1,134)**	1,352
(Provision) reversal of impairment loss of finance lease receivables	**(3,798)**	143
Net foreign exchange gain	**218,638**	113,802
Net loss on changes in fair value of derivative financial instruments	**(228,137)**	(117,099)
Loss on disposal of subsidiaries *(Note 41)*	**(9,526)**	(2,885)
Others	**4,188**	3,954
	(4,182)	44,893
Total	**1,178,441**	1,177,263

Notes:

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

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

7. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on:		
– bank loans	430,992	461,096
– other borrowings from entities controlled by suppliers	55,680	41,183
– reimbursement to suppliers *(note a)*	62,308	74,026
– super short-term commercial papers	2,448	30,684
– medium-term note	14,084	–
– corporate bonds	–	65,321
– lease liabilities	113,536	102,856
Release of capitalized transaction cost in relation to issue of super short-term commercial papers *(Note 35)*	501	1,710
Release of capitalized transaction cost in relation to issue of medium-term note *(Note 36)*	873	–
Release of capitalized transaction cost in relation to issue of corporate bonds	–	5,578
Less: interest capitalized *(note b)*	(4,907)	(4,306)
	675,515	778,148

Notes:

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

b. Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.01% (2019: 5.96%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	612,861	468,051
Underprovision of PRC EIT in prior years	2,373	2,499
	615,234	470,550
Deferred tax *(Note 33)*:		
Current year (credit) charge	(53,526)	36,178
	561,708	506,728

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

	2020 RMB'000	2019 RMB'000
Profit before tax	2,294,793	2,075,782
Tax at the PRC EIT rate of 25% (2019: 25%)	573,698	518,945
Tax effect of expenses not deductible for tax purpose	40,793	28,905
Tax effect of income not taxable for tax purpose	(34,537)	(13,702)
Tax effect of share of results of associates and joint ventures	(11,432)	(8,770)
Effect of withholding tax associated with interest income arising from intra-group borrowings	8,591	4,980
Tax effect of preferential tax rates for certain subsidiaries	(9,741)	(12,405)
Utilization of tax losses previously not recognized	(8,037)	(14,293)
Tax effect of tax loss not recognized	–	569
Underprovision of PRC EIT in prior years	2,373	2,499
Income tax expense for the year	561,708	506,728

8. INCOME TAX EXPENSE (continued)

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

Grouprich International Investment Holdings Limited, and Hongda Automobiles Co., Ltd, both subsidiaries of the Company, are incorporated in Hong Kong and had no assessable profits subject to Hong Kong Profits Tax in the years ended December 31, 2020 and 2019.

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Company's PRC subsidiaries, except for some small profit-making PRC subsidiaries which are entitled to a preferential tax rate of 5% to 10% with the expiry date on 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 consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB7,609,202,000 (2019: RMB6,285,053,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2020	2019
	RMB'000	*RMB'000*
Staff costs, including directors' remuneration *(Note 10)*:		
Salaries, wages and other benefits	**1,648,652**	1,509,789
Retirement benefits scheme contributions	**43,137**	141,816
Share-based payment expenses	**31,254**	22,732
Total staff costs	**1,723,043**	1,674,337
Auditors' remuneration:		
– in respect of audit service for the Company	**6,920**	6,560
– in respect of the statutory audits for the subsidiaries of the Company	**2,897**	2,888
Total auditors' remuneration	**9,817**	9,448
Cost of inventories recognized as an expense	**61,630,623**	54,752,355
Depreciation of property, plant and equipment	**748,865**	685,018
Depreciation of right-of-use assets	**284,173**	247,380
Amortization of other intangibles assets	**60,957**	44,529
Covid-19-related rent concessions (deducted in the related expenses)	**(15,080)**	–

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

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

	2020 RMB'000	2019 RMB'000
Fees	1,120	960
Other emoluments		
Salaries and other benefits	7,932	8,976
Contributions to retirement benefits scheme	18	227
Share-based payments	3,832	3,037
	12,902	13,200

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

For the year ended December 31, 2020

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000 (Note 39)	Total RMB'000
Executive Directors					
Mr. Cheung Tak On	–	2,582	4	–	2,586
Mr. Cai Yingjie	–	1,430	4	–	1,434
Mr. Wang Zhigao	–	1,284	2	–	1,286
Mr. Xu Yue	–	1,420	4	2,770	4,194
Ms. Chen Yi	–	1,216	4	975	2,195
Non-Executive Director					
Mr. Wang Liqun	280	–	–	29	309
Independent Non-Executive Directors					
Mr. Lyu Wei	280	–	–	29	309
Ms. Zhu Anna Dezhen	280	–	–	29	309
Mr. Mu Binrui	280	–	–	–	280
	1,120	7,932	18	3,832	12,902

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

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

For the year ended December 31, 2019

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Share-based payments *RMB'000* *(Note 39)*	Total *RMB'000*
Executive Directors					
Mr. Cheung Tak On	–	2,652	49	–	2,701
Mr. Cai Yingjie	–	1,704	49	–	1,753
Mr. Wang Zhigao	–	1,388	31	–	1,419
Mr. Xu Yue	–	1,604	49	2,254	3,907
Ms. Chen Yi	–	1,628	49	696	2,373
Non-Executive Director					
Mr. Wang Liqun	240	–	–	29	269
Independent Non-Executive Directors					
Mr. Lyu Wei	240	–	–	29	269
Ms. Zhu Anna Dezhen	240	–	–	29	269
Mr. Mu Binrui	240	–	–	–	240
	960	8,976	227	3,037	13,200

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. Other than the share-based payments disclosed above and the share options granted to certain directors as disclosed in note 39(a), no directors' emoluments consist of a benefit otherwise than in cash.

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

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

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

Mr. Cai Yingjie is the Vice-chairman, Chief Executive Officer and a director of the Company and his emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

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

Mr. Xu Yue is the Vice-chairman, President and a director of the Company and his emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

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

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

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

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group for the year included five Executive Directors for the year ended December 31, 2020 (2019: five).

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

	Number of individuals	
	2020	2019
Hong Kong dollars ("HK$")1,500,001-HK$2,000,000	**2**	2
HK$2,000,001-HK$2,500,000	**–**	–
HK$2,500,001-HK$3,000,000	**1**	1
HK$3,000,001-HK$3,500,000	**1**	1
HK$3,500,001- HK$4,000,000	**–**	–
HK$4,000,001- HK$4,500,000	**–**	1
HK$4,500,001- HK$5,000,000	**1**	–
	5	5

11. FIVE HIGHEST PAID EMPLOYEES (continued)

During the year ended December 31, 2020, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors of the Company waived or agreed to waive any emoluments during both of the years.

12. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2020 special dividends – HK$0.27 (equivalent to RMB0.247) (2019: 2018 final dividends – RMB0.225 (equivalent to HK$0.25593))	486,454	413,717

A final dividend of RMB0.288 per share with the total amount of approximately RMB568,800,000 in respect of the year ended December 31, 2020 has been proposed by the directors and is subject to approval by the shareholders in the upcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	1,624,961	1,472,984

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,909,805	1,839,007
Effect of dilutive potential ordinary shares: share options	10,816	4,978
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,920,621	1,843,985

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2019	2,486,370	519,624	1,523,058	456,344	1,839,268	233,463	7,058,127
Additions	25,227	44,238	202,869	90,302	1,014,651	223,616	1,600,903
Acquired on acquisition of subsidiaries	65,223	5,890	91,326	8,106	36,819	2,148	209,512
Transfer	102,492	–	87,927	–	–	(190,419)	–
Disposals	(541)	(16,684)	(4,440)	(17,962)	(674,970)	(2,408)	(717,005)
Disposal of subsidiaries	–	–	(1,435)	(147)	–	–	(1,582)
At December 31, 2019	2,678,771	553,068	1,899,305	536,643	2,215,768	266,400	8,149,955
Additions	30,137	57,450	133,305	60,827	679,384	69,117	1,030,220
Acquired on acquisition of subsidiaries *(Note 40)*	–	7,388	63,551	8,977	36,085	1,280	117,281
Transfer	27,210	–	54,006	–	–	(81,216)	–
Disposals	(23,870)	(27,358)	(23,226)	(31,296)	(715,401)	(2,258)	(823,409)
Disposal of subsidiaries *(Note 41)*	(33,047)	(12,348)	–	(14,108)	(7,305)	(806)	(67,614)
At December 31, 2020	2,679,201	578,200	2,126,941	561,043	2,208,531	252,517	8,406,433
DEPRECIATION							
At January 1, 2019	343,001	312,095	376,724	278,082	345,762	–	1,655,664
Provided for the year	118,967	54,548	150,789	56,855	303,859	–	685,018
Eliminated on disposals	(150)	(15,242)	(920)	(14,175)	(265,517)	–	(296,004)
Eliminated on disposals of subsidiaries	–	–	(89)	(40)	–	–	(129)
At December 31, 2019	461,818	351,401	526,504	320,722	384,104	–	2,044,549
Provided for the year	104,637	52,098	127,248	60,908	403,974	–	748,865
Eliminated on disposals	(22,554)	(25,969)	(1,881)	(29,620)	(277,360)	–	(357,384)
Eliminated on disposals of subsidiaries *(Note 41)*	(29,693)	(2,686)	–	(9,341)	(177)	–	(41,897)
At December 31, 2020	514,208	374,844	651,871	342,669	510,541	–	2,394,133
CARRYING VALUES							
At December 31, 2019	2,216,953	201,667	1,372,801	215,921	1,831,664	266,400	6,105,406
At December 31, 2020	2,164,993	203,356	1,475,070	218,374	1,697,990	252,517	6,012,300

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

The Group leases out a number of motor vehicles under operating lease. The leases typically run for an initial period of one to three years (2019: one to three years). None of the leases include the variable lease payments. The reconciliation of the carrying amount at the beginning and end of the period are set out as below:

	Motor vehicles *RMB'000*
COST	
At January 1, 2019	1,066,406
Additions	394,957
Disposals	(160,168)
At December 31, 2019	1,301,195
Additions	165,536
Disposals	(156,204)
At December 31, 2020	1,310,527
DEPRECIATION	
At January 1, 2019	196,871
Provided for the year	157,204
Eliminated on disposals	(113,546)
At December 31, 2019	240,529
Provided for the year	234,767
Eliminated on disposals	(116,470)
At December 31, 2020	358,826
CARRYING VALUES	
At January 1, 2020	1,060,666
At December 31, 2020	951,701

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at January 1, 2020			
Carrying amount	1,394,230	1,638,744	3,032,974
As at 31 December 2020			
Carrying amount	1,264,347	1,728,479	2,992,826
For the year ended 31 December 2020			
Depreciation charge	(45,411)	(238,762)	(284,173)
For the year ended 31 December 2019			
Depreciation charge	(44,000)	(203,380)	(247,380)

	2020 RMB'000	2019 RMB'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date from initial application of IFRS 16	52,541	28,816
Total cash outflow for leases	(369,896)	(291,219)
Additions to right-of-use assets *(Note)*	355,311	486,169

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

For both years, the Group leases various leasehold lands and properties, offices and warehouses for its operations. Lease contracts are entered into for fixed term of 14 months to 20 years. Lease terms are negotiated on an individual basis and contain similar terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. RIGHT-OF-USE ASSETS (continued)

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

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effect on changes in lease payment due to the forgiveness or waiver by the lessor for relevant leases of RMB15,080,000 were recognized as negative variable lease payments.

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

16. GOODWILL

	2020	2019
	RMB'000	*RMB'000*
COST		
At the beginning of the year	**1,236,585**	977,146
Acquisitions of subsidiaries *(Note 40)*	**160,217**	259,439
At the end of the year	**1,396,802**	1,236,585

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

17. OTHER INTANGIBLE ASSETS

	Dealership agreements RMB'000	Customer relationship RMB'000	Vehicle licence plates RMB'000	Software RMB'000	Total RMB'000
COST					
At January 1, 2019	1,204,768	136,619	291,623	48,082	1,681,092
Acquisition of subsidiaries	434,100	53,700	–	–	487,800
Additions	–	–	37,075	7,847	44,922
At December 31, 2019	1,638,868	190,319	328,698	55,929	2,213,814
Acquisition of subsidiaries *(Note 40)*	275,100	21,600	–	–	296,700
Additions	–	–	38,310	9,109	47,419
Disposals	–	–	(14,704)	–	(14,704)
At December 31, 2020	1,913,968	211,919	352,304	65,038	2,543,229
AMORTIZATION					
At January 1, 2019	73,469	25,219	–	5,709	104,397
Provided for the year	30,119	8,354	–	6,056	44,529
At December 31, 2019	103,588	33,573	–	11,765	148,926
Provided for the year	41,124	12,261	–	7,572	60,957
At December 31, 2020	144,712	45,834	–	19,337	209,883
CARRYING VALUES					
At December 31, 2019	1,535,280	156,746	328,698	44,164	2,064,888
At December 31, 2020	1,769,256	166,085	352,304	45,701	2,333,346

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

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

17. OTHER INTANGIBLE ASSETS (continued)

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

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

18. IMPAIRMENT TESTING ON GOODWILL

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

	Goodwill	
	2020	2019
	RMB'000	*RMB'000*
CGU A	**192,236**	192,236
CGU B	**178,167**	178,167
CGU C	**148,267**	148,267
CGU D	**120,183**	120,183
CGU E	**107,670**	–
CGU F	**81,803**	81,803
CGU G	**72,159**	72,159
CGU H	**73,355**	73,355
CGU I	**64,959**	64,959
Others	**358,003**	305,456
Total	**1,396,802**	1,236,585

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

18. IMPAIRMENT TESTING ON GOODWILL (continued)

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

During the year ended December 31, 2020, the Group performed impairment review for goodwill and intangible assets of CGUs based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by the management using pre-tax discount rates ranging from 12% to 13% (2019: 12% to 13%) which reflects current market assessments of the time value of money and the risks specific to CGUs. The cash flows beyond the next five years are extrapolated using a growth rate of 3% per annum (2019: 3%). The growth rates are by reference to industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. During the years ended December 31, 2020 and 2019, the management of the Group determines that there are no impairments of any of its CGUs containing goodwill. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts to exceed the recoverable amounts.

19. INTERESTS IN JOINT VENTURES

	2020 ***RMB'000***	2019 *RMB'000*
Cost of unlisted investments in joint ventures	**82,455**	82,455
Share of post-acquisition profits and other comprehensive income, net of dividends received	**10,340**	14,960
	92,795	97,415

19. INTERESTS IN JOINT VENTURES (continued)

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

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2020 %	2019 %	**2020** %	2019 %	
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda") 上海巴士永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S (sales, spare parts, service and survey) dealership
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") 上海永達長榮汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S dealership
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda") 哈爾濱永達國際汽車廣場有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**36**	36	**36**	36	4S dealership
Ryde 88 Pty Limited	Australian limited liability enterprise	Australia	Australia	Limited by shares	**40**	40	**40**	40	Proprietary company

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

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

	2020 *RMB'000*	2019 *RMB'000*
The Group's share of (loss) profit and other comprehensive (expense) income for the year	**(1,915)**	8,792

20. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of unlisted investments in associates	**359,124**	359,124
Share of post-acquisition profits and other comprehensive income, net of dividends received	**143,031**	103,043
	502,155	462,167

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

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group 2020 %	2019 %	Proportion of voting power held 2020 %	2019 %	Principal activity
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile") 上海永達風度汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S dealership
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda") 上海東方永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	49	**49**	49	Sale of passenger vehicles
Shanghai Jinjiang Toyota Automobile Sales and Services Co., Ltd. 上海錦江豐田汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**20**	20	**20**	20	4S dealership
Changjiang United Finance Leasing Co., Ltd. ("Changjiang United") *(Note)* 長江聯合金融租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**12**	12	**12**	12	Finance leasing

20. INTERESTS IN ASSOCIATES (continued)

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group 2020 %	2019 %	Proportion of voting power held 2020 %	2019 %	Principal activity
Guandao Network Technology (Shanghai) Co., Ltd. 觀道網路科技(上海)有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**30**	30	**30**	30	Software development
Sichuan Yongzhida second-hand car sales Co. Ltd. ("Sichuan Yongzhida") 四川永智達二手車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**36**	36	**36**	36	Sale of used cars
Anhui Jiajia Yongda Automobile Sales Co.Ltd. ("Anhui Jiajia") 安徽家家永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	49	**49**	49	Sale of used cars
Shanghai Shenbei Lexus car sales Co. Ltd. ("Shenbei Lexus") 上海申北雷克薩斯汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**30**	30	**30**	30	4S dealership
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd. ("Guangzhou Xianghe Zhongyue") 廣州祥和眾悦實業發展有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**47**	47	**47**	47	4S dealership property investments
Nanjing Yongda Haoxiang Automobile Sales Co.Ltd. ("Yongda Haoxiang") 南京永達好享汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	49	**49**	49	Sale of passenger vehicles

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

Note: Pursuant to the articles of Changjiang United, the Group has the right to appoint one out of six directors of the board. As such, the Group considers it could have significant influence over Changjiang United and treated it as an associate.

20. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of a material associate

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

Changjiang United

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current assets	**759,085**	781,338
Non-current assets	**29,588,815**	22,965,372
Current liabilities	**24,802,602**	19,902,812
Non-current liabilities	**1,915,868**	500,000

	2020	2019
	RMB'000	*RMB'000*
Revenue for the year	**1,141,134**	865,677
Profit and other comprehensive income for the year	**331,530**	156,752
The Group's share of profit and other comprehensive income of Changjiang United for the year	**40,579**	23,513
Dividend received from Changjiang United for the year	**5,508**	15,000

20. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of a material associate (continued)

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

	2020	2019
	RMB'000	*RMB'000*
Net assets of Changjiang United	3,629,430	3,343,898
Proportion of the Group's ownership interest in Changjiang United	12.24%	12.24%
Carrying amount of the Group's ownership interest in Changjiang United	444,364	409,293

Aggregate information of associates that are not individually material

	2020	2019
	RMB'000	*RMB'000*
The Group's share of profit and other comprehensive income of these associates for the year	7,064	2,775
Aggregate carrying amount of the Group's interests in these associates	57,791	52,874
Dividend received from these associates for the year	2,147	–

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
– Fund investments (a)	302,525	1,000
– Equity investments (b)	354,934	339,542
Total	657,459	340,542
Analyzed for reporting purposes as:		
Current assets	302,525	–
Non-current assets	354,934	340,542
Total	657,459	340,542

(a) Fund investments

During the year ended December 31, 2020, the Group entered into several contracts to purchase fund instruments amounting to RMB302,525,000 (2019: RMB1,000,000) from financial institutions, and accounted for such investments as financial assets at FVTPL at initial recognition. The return of the fund investments is determined by reference to the performance of the underlying debt instruments and the expected return rate stated in the contracts. For the end of the reporting period, all the remaining balance of the fund investments as at the reporting date are having maturity date within 12 months from the reporting date. The fair value loss in the amount of RMB5,021,000 (2019: nil) was recognized in profit or loss in the current year.

(b) Equity investments

	2020 RMB'000	2019 RMB'000
– Listed equity security (i)	3,441	5,579
– Limited partnership enterprises (ii)	246,150	219,597
– Unlisted equity securities (iii)	105,343	114,366
Total	354,934	339,542

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Equity investments (continued)

i. For the year ended December 31, 2020, a fair value loss of RMB2,138,000 (2019: RMB3,991,000) based on the quoted bid prices in an active market is recognized in the “other income and other gains and losses”.

ii. During the year ended December 31, 2020, the Group increased investments of certain other limited partnership enterprises amounting to RMB30,000,000 (2019: RMB39,000,000), which are also measured at FVTPL and withdrew certain investments in limited partnership enterprises amounting to RMB3,447,000 (2019: RMB15,259,000).

iii. During the year ended December 31, 2020, the Group withdrew certain investments in unlisted equity securities amounting to RMB9,023,000 (2019: nil).

22. EQUITY INSTRUMENTS AT FVTOCI

	2020 RMB’000	2019 RMB’000
Listed equity security *(note)*	**12,947**	10,658

Note:

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

During the year ended December 31, 2020, a fair value gain of RMB2,289,000 (2019: RMB1,331,000) was recognized in the FVTOCI reserve.

23. FINANCE LEASE RECEIVABLES

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

	2020 RMB’000	2019 RMB’000
Analyzed as:		
Current	**1,988,522**	2,193,384
Non-current	**425,313**	1,385,578
	2,413,835	3,578,962

23. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**2,157,447**	2,366,534	**1,988,522**	2,193,384
In more than one year but not more than two years	**485,007**	1,005,465	**425,430**	862,543
In more than two years but not more than five years	**20,105**	574,236	**11,900**	531,254
	2,662,559	3,946,235	**2,425,852**	3,587,181
Less: unearned finance income	**(236,707)**	(359,054)	**N/A**	N/A
Less: allowances for impairment loss under ECL model *(Note 46(b))*	**(12,017)**	(8,219)	**(12,017)**	(8,219)
Present value of minimum lease payment receivables	**2,413,835**	3,578,962	**2,413,835**	3,578,962

At December 31, 2020, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB11,282,000 (2019: RMB31,961,000) and RMB54,844,000 (2019: RMB45,027,000) were recognized as other non-current liabilities and current liabilities, respectively (Note 29).

Interest rates implicit in the above finance leases range from 9.84% to 13.12% per annum (2019: 10.38% to 11.85% per annum).

Finance lease receivables are secured over the motor vehicles leased. The Group is permitted to sell the collateral in the absence of default by the lessees.

24. LOAN RECEIVABLES

	2020 RMB'000	2019 RMB'000
Guaranteed but unsecured loans	98,520	193,067
Secured but unguaranteed loans	19,749	165,054
Gross loan receivables	118,269	358,121
Less: allowances for impairment losses under ECL model *(Note 46(b))*	(4,348)	(3,214)
Net loan receivables	113,921	354,907
Analyzed as:		
Current	109,303	321,551
Non-current	4,618	33,356
	113,921	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 or secured by collaterals.

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

	2020 RMB'000	2019 RMB'000
Fixed-rate loan receivables:		
Within one year	109,303	321,551
In more than one year but not more than two years	4,128	28,708
In more than two years but not more than three years	490	4,648
	113,921	354,907

The ranges of effective interest rates on the Group's loan receivables are as follows:

	2020	2019
Effective interest rate per annum:		
Fixed-rate borrowings	4.5% to 18.0%	4.0% to 24.0%

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

25. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

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

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

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

	2020 *RMB'000*	2019 *RMB'000*
Current		
Trade receivables	**1,019,557**	995,924
Bills receivables	**1,827**	230
	1,021,384	996,154
Prepayments and other receivables comprise:		
Prepayments and deposits to suppliers	**2,999,115**	2,209,191
Deposits to entities controlled by suppliers for borrowings	**178,846**	181,131
Prepayments and rental deposits on properties	**65,311**	44,064
Rebate receivables from suppliers	**2,343,564**	2,454,664
Finance and insurance commission receivables	**194,624**	187,215
Staff advances	**12,164**	17,758
Value-added tax recoverable	**323,580**	454,151
Receivables from former shareholders of acquired subsidiaries	**66,728**	66,728
Advances to non-controlling interests *(note a)*	**64,891**	35,300
Advances to independent third parties *(note a)*	**7,520**	15,923
Others	**232,777**	191,141
Less: allowance for impairment losses under ECL model *(Note 46(b))*	**–**	(6,420)
	6,489,120	5,850,846
	7,510,504	6,847,000
Non-current		
Receivables from disposal of land use right	**76,195**	–
Advances to non-controlling interests	**–**	30,000
	76,195	30,000

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

Note:

a. Except for advance to non-controlling interests of RMB30,000,000 (2019: RMB30,000,000) which carried at a fixed interest rate of 4.9% per annum and was payable upon the maturity due on December 5, 2021, the rest balances were unsecured, interest-free and repayable on demand.

As at January 1, 2019, December 31, 2019 and December 31, 2020, trade receivables from contracts with customers amounted to RMB734,533,000, RMB927,211,000 and RMB941,397,000, respectively.

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

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**1,021,384**	996,154

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

Details of impairment assessment on trade and other receivables, and other non-current assets are set out in Note 46(b).

26. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Motor vehicles	**4,362,604**	5,068,922
Spare parts and accessories	**493,190**	557,881
	4,855,794	5,626,803

As at December 31, 2020, vehicle certificates ("車輛合格證") for certain of the Group's inventories with an aggregate carrying amount of RMB1,678,657,000 (2019: RMB1,198,342,000) were pledged as securities for the Group's interest-bearing bank and other borrowings (Note 34).

As at December 31, 2020, vehicle certificates of the Group's inventories with an aggregate carrying amount of RMB1,450,561,000 (2019: RMB2,588,302,000) were pledged as security for the Group's bills payables.

27. CASH IN TRANSIT

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

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

As at December 31, 2020, the Group had fixed-term time deposits in banks with carrying amounts of approximately RMB363,175,000 (2019: RMB322,903,000), which carry interest rate ranging from 1.95% to 3.60% (2019: 1.98% to 3.00%) per annum.

The Group also pledged certain of its bank balances with carrying amounts of RMB1,720,094,000 (2019: RMB2,450,362,000) to banks as security for bills payables and these restricted bank balances carry variable-rate interests ranging from 0.30% to 1.30% (2019: 0.35% to 1.30%) per annum. The restricted bank balances are classified as current assets as they will be released upon the settlement of the relevant bills payables.

The remaining bank balances carry variable-rate interests ranging from 0.001% to 0.30% (2019: 0.001% to 0.35%) per annum.

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

	2020 RMB'000	2019 RMB'000
HK$	22,679	15,942
United States Dollars ("US$")	342,660	59,798
Euro ("EUR€")	1,148	259
Great Britain Pound ("GBP£")	2	79,239
	366,489	155,238

29. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	2020 RMB'000	2019 RMB'000
Current		
Trade payables	925,650	694,997
Bills payables	3,798,958	5,372,084
	4,724,608	6,067,081
Other payables		
Other tax payables	165,533	157,795
Payable for acquisition of property, plant and equipment	53,492	43,341
Salary and welfare payables	212,352	83,154
Accrued interest	32,453	46,120
Accrued audit fee	5,320	4,960
Consideration payables for acquisition of subsidiaries *(note)*	69,377	228,160
Consideration payables for acquisition of non-controlling interests *(note)*	26,186	–
Advance from non-controlling interests *(note)*	137,892	83,902
Dividend payable to non-controlling interests	1,932	1,976
Deposits received from customers under finance leases *(Note 23)*	54,844	45,027
Other accrued expenses	99,592	116,422
Others	223,254	192,596
	1,082,227	1,003,453
	5,806,835	7,070,534
Non-current		
Deposits received from customers under finance leases *(Note 23)*	11,282	31,961

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

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

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

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

	2020 *RMB'000*	2019 *RMB'000*
0 to 90 days	3,807,534	4,404,167
91 to 180 days	917,074	1,662,914
	4,724,608	6,067,081

30. CONTRACT LIABILITIES

	December 31, 2020 *RMB'000*	December 31, 2019 *RMB'000*
Advances and deposits from customers	2,369,198	1,725,445

As at January 1, 2019, contract liabilities amounted to RMB1,565,693,000.

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

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

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

31. DERIVATIVE FINANCIAL LIABILITIES

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

	2020 *RMB'000*	2019 *RMB'000*
Foreign currency forward contracts	330,636	112,798
Foreign currency options contracts	–	4,301
	330,636	117,099
Analyze as:		
Current	47,029	12,606
Non-current	283,607	104,493
	330,636	117,099

Foreign currency forward contracts

On December 31, 2020, the Group entered into several US$/RMB foreign currency forward contracts with banks in order to manage the currency risk of Group's foreign bank loans.

	Receiving Currency *'000*	Selling Currency *RMB'000*	Maturity date	Weighted average forward exchange rate	Fair value liabilities *RMB'000*
Contract A	US$14,000	RMB98,035	March 19, 2021	US$:RMB at 1:7.0025	7,170
Contract B	US$70,000	RMB453,355	December 29, 2021	US$:RMB at 1:6.4765	39,859
Contract C	US$65,000	RMB451,932	May 23, 2022	US$:RMB at 1:6.9528	35,178
Contract D	US$35,000	RMB247,503	May 23, 2022	US$:RMB at 1:7.0715	21,847
Contract E	US$100,000	RMB693,200	May 23, 2022	US$:RMB at 1:6.9320	50,162
Contract F	US$10,000	RMB69,400	May 22, 2022	US$:RMB at 1:6.9400	4,694
Contract G	US$110,000	RMB777,700	May 22, 2022	US$:RMB at 1:7.0700	130,893
Contract H	US$40,000	RMB278,080	May 22, 2022	US$:RMB at 1:6.9520	21,395
Contract I	US$40,000	RMB276,800	March 18, 2022	US$:RMB at 1:6.9200	19,438

31. DERIVATIVE FINANCIAL LIABILITIES (continued)

Foreign currency forward contracts (continued)

The Group has entered into certain derivative transactions covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") with certain banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently no legally enforceable right to set off the recognized amount. These derivative instruments will be net settled and the Group's net profit & loss in deliverable CNY is for the final principal exchange for different USD/deliverable CNY spot rates on termination date.

32. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
At January 1, 2019, December 31, 2019 and 2020	2,500,000	25,000

	Number of shares	Amount	Shown in financial statements as
	'000	*HK$'000*	*RMB'000*
Issued and fully paid:			
At January 1, 2019	1,838,112	18,381	15,063
Exercise of share options *(Note 39)*	1,905	19	17
At December 31, 2019	1,840,017	18,400	15,080
Exercise of share options *(Note 39)*	14,822	148	132
Placement and subscription *(note)*	120,000	1,200	1,094
At December 31, 2020	1,974,839	19,748	16,306

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 of RMB893,046,000 will be used to further expand of the Group's dealership network.

33. DEFERRED TAXATION

(a) Deferred tax assets

The following are the major deferred tax assets recognized and movements thereon during the current and prior years:

	Tax losses	Property, plant and equipment impairment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	153,432	31,572	10,854	195,858
Credit (charge) to profit or loss	15,743	(1,579)	(49)	14,115
Acquired on acquisition of subsidiaries	–	–	192	192
Eliminated on disposal of subsidiaries	(658)	–	–	(658)
At December 31, 2019	168,517	29,993	10,997	209,507
Credit (charge) to profit or loss	26,109	(108)	(56)	25,945
Eliminated on disposal of subsidiaries *(Note 41)*	(9,976)	(16,491)	(9)	(26,476)
At December 31, 2020	184,650	13,394	10,932	208,976

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

The Group's unused tax losses of approximately RMB738,600,000 and RMB674,068,000 as at December 31, 2020 and 2019, respectively have been recognized as deferred tax assets as at the end of the reporting periods.

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

	2020	2019
	RMB'000	*RMB'000*
Tax losses	**45,761**	127,360

33. DEFERRED TAXATION (continued)

(a) Deferred tax assets (continued)

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

	2020 RMB'000	2019 RMB'000
2020	–	18,170
2021	3,139	16,010
2022	42,384	86,775
2023	238	4,129
2024	–	2,276
	45,761	127,360

(b) Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At January 1, 2019	384,077	93,456	477,533
(Credit) charge to profit or loss	(12,578)	62,871	50,293
Acquired on acquisition of subsidiaries	131,475	–	131,475
At December 31, 2019	502,974	156,327	659,301
Credit to profit or loss	(17,139)	(10,442)	(27,581)
Acquired on acquisition of subsidiaries *(Note 40)*	74,175	–	74,175
At December 31, 2020	560,010	145,885	705,895

34. BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank loans	**7,213,643**	11,158,344
Other borrowings *(note)*	**2,440,772**	1,693,639
	9,654,415	12,851,983
Secured borrowings, by the Group's assets	**3,216,043**	2,775,486
Unsecured borrowings	**6,438,372**	10,076,497
	9,654,415	12,851,983
Unguaranteed borrowings	**9,654,415**	12,851,983
Fixed-rate borrowings	**9,157,547**	12,054,433
Variable-rate borrowings	**496,868**	797,550
	9,654,415	12,851,983

	2020 RMB'000	2019 RMB'000
Carrying amount repayable:		
Within one year	**6,433,683**	10,129,408
More than one year, but not exceeding two years	**2,421,798**	–
More than two years, but not exceeding five years	**636,934**	2,722,575
More than five years	**162,000**	–
	9,654,415	12,851,983
Less: amounts due within one year shown under current liabilities	**6,433,683**	10,129,408
Amounts shown under non-current liabilities	**3,220,732**	2,722,575

Note: Other borrowings are mainly obtained from entities controlled by suppliers.

34. BORROWINGS (continued)

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

	2020	2019
Effective interest rate (per annum):		
Fixed-rate borrowings	3.25% to 6.09%	3.46% to 6.09%
Variable-rate borrowings	4.13% to 5.00%	4.13% to 5.75%

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

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

During the years ended December 31, 2020 and 2019, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	2020 RMB'000	2019 RMB'000
Right-of-use assets (leasehold land)	103,218	167,594
Property, plant and equipment (buildings and motor vehicles)	94,362	129,283
Inventories	1,678,657	1,198,342
Total	1,876,237	1,495,219

As at December 31, 2020, the Group has also pledged the total equity interest of a subsidiary with a carrying amount of RMB400 million (2019: RMB1,298 million) for bank borrowings obtained.

The Group's borrowings that are denominated in currencies other the functional currency of the relevant group entities are set out below:

	US$ RMB'000
At December 31, 2020	3,209,662
At December 31, 2019	3,655,884

35. 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 Group.

Movements of the super short-term commercial papers during the year ended December 31, 2020 are as follows:

	RMB'000
Issued on April 23, 2020	100,000
Less: capitalized transaction costs in relation to issuance	(550)
Add: interest expense-amortization of transaction costs	501
At December 31, 2020	99,951

36. MEDIUM-TERM NOTE

On May 24, 2018, Shanghai Yongda Investment received a notice of acceptance of registration issued from National Association of Financial Market Institutional Investors to issue medium-term note of an aggregate registered amount of RMB1.2 billion. According to the notice, the registered amount was effective for two years commencing from the date of issue.

On March 17, 2020, Shanghai Yongda Investment issued a medium-term note, with an aggregate registered amount of RMB370 million. The principal of the medium-term note shall be repaid at maturity date, while the interest shall be paid annually.

36. MEDIUM-TERM NOTE (continued)

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.

Movement of the medium-term note during the year ended December 31, 2020 was as follows:

	RMB'000
Issued on March 17, 2020	370,000
Less: capitalized transaction costs in relation to issuance	(3,330)
Add: interest expense-amortization of transaction costs	873
At December 31, 2020	367,543

37. LEASE LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**197,571**	174,747
Within a period of more than one year but not more than two years	**169,710**	156,162
Within a period of more than two years but not more than five years	**426,050**	426,007
Within a period of more than five years	**1,153,434**	1,076,454
	1,946,765	1,833,370
Less: Amount due for settlement with 12 months shown under current liabilities	**197,571**	174,747
Amount due for settlement after 12 months shown under non-current liabilities	**1,749,194**	1,658,623

Lease liabilities of RMB1,947 million (2019: RMB1,833 million) are recognized with the relevant right-of-use assets of RMB1,728 million (2019: RMB1,639 million) as at December 31, 2020 using the weighted incremental borrowing rate of 6% (2019: 6%) per-annum. The lease agreements do not impose any covenants and the related leased assets may not be used as security for borrowing purposes.

As at December 31, 2020, the full amount of lease liabilities are secured by rental deposits with carrying amount of RMB26 million (2019: RMB25 million).

38. NON-CONTROLLING INTERESTS

	RMB'000
At January 1, 2019	532,074
Profit for the year	96,070
Capital injection by non-controlling interests	7,094
Acquisition of non-controlling interests	(3,862)
Disposal of subsidiaries	(1,266)
Dividends paid to non-controlling interests	(59,053)
At December 31, 2019	571,057
Profit for the year	108,124
Capital injection by non-controlling interests	16,600
Disposal of partial interest of subsidiaries without losing control	15,598
Acquisition of non-controlling interests *(Note 42)*	(117,991)
Disposal of subsidiaries *(Note 41)*	(3,177)
Dividends paid to non-controlling interests	(66,288)
At December 31, 2020	523,923

39. SHARE-BASED COMPENSATION

(a) Share Option Scheme

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

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

39. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

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 years ended December 31, 2020 and 2019:

	Grant date	Exercised price *(HK$)*	Outstanding as at January 1, 2020	Granted during the year	Number of options exercised during the year *(Note 32)*	Lapsed/ expired during the year	Outstanding as at December 31, 2020
Directors:							
Mr. Wang Liqun	July 26, 2016	3.78	200,000	–	(200,000)	–	–
Mr. Lyu Wei	July 26, 2016	3.78	200,000	–	(200,000)	–	–
Ms. Zhu Anna Dezhen	July 26, 2016	3.78	200,000	–	–	(200,000)	–
Mr. Xu Yue	July 26, 2016	3.78	2,400,000	–	(2,400,000)	–	–
	December 4, 2020	13.92	–	3,000,000	–	–	3,000,000
Ms. Chen Yi	December 4, 2020	13.92	–	800,000	–	–	800,000
Employees and other grantees	July 26, 2016	3.78	9,494,500	–	(9,428,450)	(66,050)	–
	June 19, 2017	8.14	8,941,000	–	(2,593,500)	(1,227,000)	5,120,500
	December 4, 2020	13.92	–	8,200,000	–	–	8,200,000
			21,435,500	12,000,000	(14,821,950)	(1,493,050)	17,120,500
Option exercisable at the end of the year			15,969,000				5,120,500
Weighted average exercise price (HK$)			5.62	13.92	4.54	7.36	12.19

39. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

	Grant date	Exercised price (HK$)	Outstanding as at January 1, 2019	Granted during the year	Number of options exercised during the year *(Note 32)*	Lapsed during the year	Outstanding as at December 31, 2019
Directors:							
Mr. Wang Liqun	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Lyu Wei	July 26, 2016	3.78	200,000	–	–	–	200,000
Ms. Zhu Anna Dezhen	July 26, 2016	3.78	200,000	–	–	–	200,000
Mr. Xu Yue	July 26, 2016	3.78	2,400,000	–	–	–	2,400,000
Employees and other grantees	July 26, 2016	3.78	11,649,500	–	(1,905,000)	(250,000)	9,494,500
	June 19, 2017	8.14	10,300,000	–	–	(1,359,000)	8,941,000
			24,949,500	–	(1,905,000)	(1,609,000)	21,435,500
Option exercisable at the end of the year			15,983,000				15,969,000
Weighted average exercise price (HK$)			5.59	–	3.78	7.46	5.62

As at December 31, 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 17,120,500 (2019: 21,435,500), representing 0.9% (2019: 1.2%) of the shares of the Company in issue at that date.

In respect of the share options exercised during the year ended December 31, 2020, the weighted average share price at the dates of exercise is HK$9.52 (2019: HK$7.08).

On December 4, 2020, 12,000,000 options were granted at an exercise price of HK$13.92 with a service term of 5 years. The estimated granted date fair value of these options granted is RMB45,902,000. The fair value is calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

	December 4, 2020
Weighted average share price	HK$13.92
Exercise price	HK$13.92
Expected volatility	51.03%
Option life	5 years
Risk-free interest rate	0.21%
Excepted dividend yield	1.94%

39. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

The risk-free rate was based on the market yield rate of Hong Kong Government Bond with a maturity of two to five years. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged and historical pattern of share prices of the Company. Changes in variables and assumptions may result in changes in the fair values of the share options.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized an expense of approximately RMB8,265,000 for the year ended December 31, 2020 in relation to the share options granted by the Company under the Share Option Scheme (2019: RMB5,000,000).

(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.

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

During the year ended December 31, 2020, awards of approximately 4,615,000 (2019: 2,667,000) restricted shares have been made pursuant to the Amended Scheme. Details are set out as follows:

	Number of shares *'000*	Vesting period	Total fair value *RMB'000*
Year 2017	9,413	1-28 years	63,888
Year 2018	10,080	10 years	68,718
Year 2019	2,667	10 years	11,131
Year 2020	4,615	5 years	35,869

39. SHARE-BASED COMPENSATION (continued)

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

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

Amount of approximately RMB22,989,000 (2019: RMB17,732,000) was recognized for the year ended December 31, 2020 in relation to such awards made by the Company under the Amended Scheme.

40. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Yunnan and Sichuan BMW 4S ("4S") dealerships

In November 2020, the Group entered into agreements with an independent third party to acquire all the operating assets and liabilities of the six BMW 4S dealerships for total cash consideration of RMB682.23 million, to expand the Group's dealership network. The acquisition qualifies as a business combination in accordance with IFRS 3.

Aggregate assets acquired and liabilities assumed of entities operating in different locations on the acquisition date are as follows:

	Yunan	**Sichuan**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	68,229	37,727	105,956
Right-of-use assets	75,445	24,781	100,226
Other intangible assets	240,500	45,200	285,700
Inventories	171,892	40,382	212,274
Lease liabilities	(75,445)	(24,781)	(100,226)
Deferred tax liabilities	(60,125)	(11,300)	(71,425)
Net assets acquired	420,496	112,009	532,505
Goodwill	107,670	42,055	149,725
Consideration transferred	528,166	154,064	682,230
Satisfied by:			
Cash			682,230
Net cash outflow arising on acquisitions:			
Consideration paid			(682,230)

40. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of Yunnan and Sichuan BMW 4S ("4S") dealerships (continued)

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

Included in the Group's profit for the year is RMB7,345,000 attributable to these subsidiaries acquired since the acquisition date. Group revenue for the year includes RMB237,035,000 generated from these subsidiaries.

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for the year ended December 31, 2020 would have been RMB71,310,175,000 and the amount of the profit for the year would have been RMB1,785,268,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had these subsidiaries been acquired at the beginning of the current year, the directors of the Company calculated depreciation and amortization of the property, plant and equipment, right-of-use assets, other intangible assets based on the recognized amounts of property, plant and equipment at the date of the acquisition.

Goodwill arising on the acquisition is not expected to be deductible for tax purpose.

(b) 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 approximately RMB12.17 million, which comprise a BMW 4S dealership to expand the Group's dealership network.

40. ACQUISITION OF SUBSIDIARIES (continued)

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

Aggregate assets acquired and liabilities assumed of the entity operating on the acquisition date are as follows:

	RMB'000
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)
Net assets acquired	1,679
Goodwill	10,492
Consideration transferred	12,171
Satisfied by:	
Cash	12,171
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	430
Consideration paid	(12,171)
	(11,741)

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

Included in the Group's profit for the year is RMB4,420,000 attributable to this subsidiary acquired since the acquisition date. Group revenue for the year includes RMB352,836,000 generated from the subsidiary.

The fair value of trade and other receivables at the date of acquisition amounted to RMB26,617,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB26,617,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arising on the acquisition is not expected to be deductible for tax purpose.

41. DISPOSAL OF SUBSIDIARIES

In January, June, August, October and December 2020, the Group disposed of 100% equity interests in Shaoxing Hecheng Haichang Service Co., Ltd. and Shaoxing Yongda Unlimited Automobile Service Co., Ltd., 100% equity interests in Yulin Ruibao Automobile Sales Service Co. Ltd. and Yulin Chengtai Automobile Sales Service Co., Ltd., 100% of equity interests in Shanghai Saitong Real Estate Development Co., Ltd., 100% of equity interests in Beijing Jinshicheng Trading Co., Ltd. and 70% of equity interests in Shenzhen South Zhongyue Travel Service Co., Ltd. respectively for a total consideration of approximately RMB43.6 million.

The net assets at the dates of disposal were as follows:

	RMB'000
Property, plant and equipment	25,717
Right-of-use assets	32,761
Deferred tax assets	26,476
Inventories	23,638
Trade and other receivables	32,152
Bank balances and cash	53,145
Trade and other payables	(96,716)
Income tax liabilities	(4,785)
Borrowings	(4,529)
Lease liabilities	(31,545)
Net assets disposal of	56,314
Less: non-controlling interests	(3,177)
Net assets disposal of	53,137
Loss on disposal *(Note 6)*	(9,526)
Total consideration	43,611
Satisfied by:	
Cash	43,611
Net cash outflow arising on disposal:	
Cash received	43,611
Less: bank balances and cash disposed of	(53,145)
	(9,534)

42. ACQUISITION OF NON-CONTROLLING INTERESTS

In September, October, November and December 2020, the Group acquired 25% equity interests in Wuxi Yongda Oriental Automobile Sales Service Co., Ltd., 40% of equity interests in Nantong Oriental Yongda Jiachen Automobile Sales Service Co., Ltd., 29% equity interests in Yancheng Baocheng Automobile Sales and Service Co., Ltd. and Yancheng Yongda Zhongcheng Automobile Sales Service Co., Ltd., 20% of equity interests in Guangzhou Tengyue New Energy Vehicle Sales Service Co., Ltd. and 15% of equity interests in Shanghai Yongda Used Car Chain Management Co., Ltd. from non-controlling shareholders respectively for a total cash consideration of RMB290,466,000. The difference between the consideration paid and the non-controlling interests acquired was approximately RMB172,475,000 which was recognized in the special reserve in the consolidated statement of changes in equity. The unpaid acquisition amount of RMB26,186,000 has been recorded in "trade and other payables" (Note 29).

43. OPERATING LEASES

The Group as lessor

At the end of reporting period, the Group had contracted with car renters for the following future undiscounted minimum lease payments are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**158,492**	192,358
In the second year	**66,770**	82,738
In the third year	**34,325**	32,436
In the fourth year	**11,235**	15,818
In the fifth year	**2,933**	6,470
After the fifth year	**–**	1,072
	273,755	330,892

The Group provides automobile operating lease services for fixed rentals.

44. CAPITAL COMMITMENTS

	2020	2019
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of		
– property, plant and equipment contracted for but not provided	**60,508**	97,563

45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, amounts due to related parties, super short-term commercial papers, medium-term note, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on an ongoing basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, capital injection, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

46. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 *RMB'000*	2019 *RMB'000*
Financial assets		
Financial assets at amortized cost (including cash and cash equivalents)	10,001,933	10,165,693
Financial assets at FVTPL	657,459	340,542
Equity instruments at FVTOCI	12,947	10,658
Other items	2,505,839	3,656,123
	13,178,178	14,173,016
Financial liabilities		
Derivative financial liabilities	330,636	117,099
Financial liabilities at amortized cost	15,445,365	19,716,338
	15,776,001	19,833,437

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, finance lease receivables, loan receivables, other non-current assets, amounts due from related parties, cash in transit, time deposits, restricted bank balances, bank balances and cash, trade and other payables, amounts due to related parties, super short-term commercial papers, derivative financial liabilities, medium-term note, other liabilities, lease liabilities and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Most of the Company's sales, purchase and expenditure are denominated in RMB. However, certain financial assets (principally bank balances and amounts due from related parties) and financial liabilities are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group mainly exposes to foreign currency of US$ and Australia Dollars ("AU$"). During the year ended December 31, 2020, the Group entered into several US$/RMB foreign currency forward contracts with banks in order to manage the Group's currency risk associated with currency risk (see Note 31 for details).

The carrying amounts of the financial assets and financial liabilities denominated in foreign currencies of the group entities at the end of each reporting period are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Assets		
US$	**342,660**	59,798
AU$	**40,632**	38,927
HK$	**22,679**	15,942
EUR€	**1,148**	259
GBP£	**2**	79,239
Liabilities		
US$	**2,936,205**	3,655,884

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies of the group entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates of foreign currencies of the group entities. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies of the group entities and adjusts their translation at the end of each reporting period for a 5% change in related currency rates.

A positive number below indicates an increase in post-tax profit where foreign currencies of the group entities weaken 5% against RMB. For a 5% strengthen of foreign currencies of the group entities against RMB, there would be an equal and opposite impact on the post-tax profit.

	Foreign currencies of the Group entities impact	
	2020	2019
	RMB'000	*RMB'000*
Increase in post-tax profit for the year	**94,841**	27,759

Forward foreign exchange contracts

In addition, the Group has assessed that the exposure of 5% foreign exchange rate changes on the derivative financial liabilities, a decrease in post-tax profit amounted to RMB110,108,000 (2019: RMB27,759,000) where foreign currencies of the group entities weaken 5% against RMB, whereas a negative number indicates a decrease in post-tax profit.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivables, finance lease receivables, fixed-rate bank borrowings, super short-term commercial papers, medium-term note, other borrowings and lease liabilities. The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank balances and variable-rate borrowings. It is the Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates and LIBOR.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

Total interest revenue/income from financial assets that are measured at amortized cost or at FVTOCI is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Interest revenue		
Financial assets at amortized cost	396,870	489,311
Other income		
Financial assets at amortized cost	49,587	26,452
Revenue/Interest income under effective interest method	446,457	515,763

Sensitivity analysis

Bank balances, pledged bank deposits and borrowings are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances is insignificant.

Other price risk

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk.

If the prices of those financial assets at FVTPL had been 5% higher/lower, the Group's post-tax profit for the year ended 31 December 2020 would increase/decrease by RMB24,655,000 (2019: RMB12,770,000).

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

In order to minimize credit risk, the Group has developed and maintained the credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, other non-current assets, finance lease receivables, loan receivables, cash in transit, time deposits, restricted bank balances and bank balances and cash.

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables – goods and services, finance lease receivables, loan receivables and amounts due from related parties – trade nature	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL-not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL-not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL -credit-impaired	Lifetime ECL -credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

	Notes	Internal credit rating	12-month or lifetime ECL	December 31, 2020 Gross carrying amount (*RMB'000*)	December 31, 2019 Gross carrying amount (*RMB'000*)
Financial assets at amortized cost					
Trade receivables – goods and services	25	note 2a	Lifetime ECL	941,397	927,211
Loan receivables	24	note 3	Lifetime ECL	118,269	358,121
Amounts due from related parties	49	note 1a	12m ECL	169,153	141,192
			Lifetime ECL	10,865	10,942
				180,018	152,134
Other receivables and other non-current assets	25	note 1b	12m ECL	3,520,539	3,624,600
			Lifetime ECL	–	6,420
				3,520,539	3,631,020
Cash in transit	27	note 4	12m ECL	94,939	150,872
Time deposits	28	note 4	12m ECL	363,175	322,903
Restricted bank balances	28	note 4	12m ECL	1,720,094	2,450,362
Bank balances and cash	28	note 4	12m ECL	3,079,867	2,210,423
Other Items					
Trade receivables - automobile operating lease services	25	Low risk	12m ECL	79,987	68,942
Finance lease receivables	23	note 2b	Lifetime ECL	2,425,852	3,587,181

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1a. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, amounts due from related parties are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For the purpose of impairment assessment for the amounts due from related parties-non trade portion of RMB169,153,000, the Group has applied the 12-month ECL approach. For the amounts due from related parties-trade portion of RMB10,865,000, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance is measured at lifetime ECL. The directors of the Company considered that the 12-month ECL and lifetime ECL allowance are insignificant as at January 1, 2020 and December 31, 2020.

1b: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, other receivables and other assets are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For other receivables and other non-current assets, debtors with significant outstanding balances with gross carrying amounts of RMB2,964 million as at December 31, 2020 were assessed individually. These individually assessed receivables mainly comprised deposit and rebate receivables from certain suppliers of passenger vehicles in the PRC as at December 31, 2020. The Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In order to further minimize the credit risk, the management of the Group delegates teams to deal with these suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. And the Group could choose to offset the payables for the passenger vehicles purchase from the suppliers as agreed. The delegated teams also reconcile with these suppliers on outstanding balances and transactions recorded in relevant reporting period annually to ensure trading information is properly recorded. In view of the actions taken by the Group and the fact that the counterparties are the sino-foreign joint ventures of renowned automobile manufacturers with high credit quality, the Group considers that credit risk in rebate receivables made to suppliers is significantly reduced.

The Group's advances to non-controlling interests of RMB65 million consist of several balances with different non-controlling interests in the PRC and there is no concentration of credit risk. The Group considers that credit risk in advances to non-controlling interests is insignificant.

For the purpose of impairment assessment for the remaining other receivables with carrying amount of RMB492 million the Group has applied the 12-month ECL approach. The directors of the Company considered that the 12-month ECL and lifetime ECL allowance are insignificant as at January 1, 2020 and December 31, 2020.

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2a: For trade receivables – goods and services, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

The Group's trade receivables consist of a large number of customers located in the PRC which poses insignificant concentration of credit risk. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The directors of the Company considered that the life time ECL allowance are insignificant as at January 1, 2020 and December 31, 2020.

2b: For finance lease receivables, the Group has applied the lifetime ECL approach in IFRS 9 to measure the loss allowance.

The following table provides information about the exposure to credit risk for finance lease receivables which are assessed under lifetime ECL as at December 31, 2020.

	Carrying amount	Average loss rate	Loss allowance on finance lease receivables
	RMB'000		*RMB'000*
Gross carrying amount			
Current (not past due)	2,410,363	0.12%	2,928
1-30 days past due	1,265	10.52%	133
31-60 days past due	1,062	16.31%	173
61-90 days past due	618	28.40%	176
More than 90 days past due	12,544	68.61%	8,607
	2,425,852		12,017

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2b: (continued)

The following table shows the movement in lifetime ECL that has been recognized for finance lease receivables under 3-stage ECL.

	Lifetime ECL (not credit-impaired)	Total
	RMB'000	*RMB'000*
As at December 31, 2019	8,219	8,219
Impairment losses	3,798	3,798
As at December 31, 2020	12,017	12,017

3. For the purposes of impairment assessment, loan receivables are recognized at lifetime ECL as at December 31, 2020.

	Carrying amount	Average loss rate	Loss allowance on loan receivables
	RMB'000		*RMB'000*
Gross carrying amount			
Current (not past due)	116,133	1.98%	2,304
1-30 days past due	43	25.22%	11
31-60 days past due	19	46.99%	9
61-90 days past due	5	72.62%	3
More than 90 days past due	2,069	97.76%	2,021
	118,269		4,348

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

3. (continued)

The following table shows the movement in ECL that has been recognized for loan receivables under the general approach.

	12-month ECL	Lifetime ECL (not credit-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2019	3,089	125	3,214
Impairment losses	(762)	1,896	1,134
As at December 31, 2020	2,327	2,021	4,348

4. The credit risk in relation to the Group's cash in transit, time deposits, bank balances and cash and restricted bank balances is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants, if any.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date the Group can be required to pay, representing the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rates, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate %	Repayable on demand or within 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	After 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2020							
Non-derivative financial liabilities							
Trade and other payables	–	5,247,442	–	–	–	5,247,442	5,247,442
Amounts due to related parties	–	32,279	–	–	–	32,279	32,279
Borrowings	3.88%	3,085,088	3,357,153	3,291,556	381,438	10,115,235	9,670,336
Super short-term commercial papers	3.59%	102,628	–	–	–	102,628	102,399
Medium-term note	5.00%	16,251	14,132	392,714	–	423,097	381,627
Other liabilities	–	–	–	11,282	–	11,282	11,282
		8,483,688	3,371,285	3,695,552	381,438	15,931,963	15,445,365
Lease liabilities	6.00%	86,350	123,284	853,624	2,047,345	3,110,603	1,946,765
Derivative financial liabilities- net settlement							
Foreign currency forward contracts		47,107	–	294,269	–	341,376	330,636
		8,617,145	3,494,569	4,843,445	2,428,783	19,383,942	17,722,766

46. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	After 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2019							
Non-derivative financial liabilities							
Trade and other payables	–	6,829,585	–	–	–	6,829,585	6,829,585
Amounts due to related parties	–	2,809	–	–	–	2,809	2,809
Borrowings	4.24%	4,283,337	6,034,261	3,062,587	–	13,380,185	12,851,983
Other liabilities	–	–	–	31,961	–	31,961	31,961
		11,115,731	6,034,261	3,094,548	–	20,244,540	19,716,338
Lease liabilities	6.00%	76,044	204,156	907,950	1,645,471	2,833,621	1,833,370
Derivative financial liabilities- net settlement							
Foreign currency forward contracts		–	8,305	104,493	–	112,798	112,798
Foreign currency options contracts		–	4,301	–	–	4,301	4,301
		–	12,606	104,493	–	117,099	117,099
		11,191,775	6,251,023	4,106,991	1,645,471	23,195,260	21,666,807

46. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at			
Financial assets	**December 31, 2020** ***RMB'000***	December 31, 2019 *RMB'000*	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL	**Fund instruments RMB302,525 *(note)***	Fund instruments RMB1,000	Level 2	Determined based on the fair value of underlying investments which are quoted in active markets
Financial assets at FVTPL	**Listed securities RMB3,441**	Listed securities RMB5,579	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL	**Unquoted equity instruments: RMB351,493**	Unquoted equity instruments: RMB333,963	Level 3	Share of the net asset values of the financial asset, determined with reference to the fair value of underlying assets and liabilities and adjustments of related expense, if any; Price-to-Sales multiples of selected comparable listed companies in a similar business model and adjusted for the lack of marketability
Equity investments at FVTOCI	**Listed securities RMB12,947**	Listed securities RMB10,658	Level 1	Quoted bid prices in an active market

46. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Note: During the year ended December 31, 2020, 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 December 31, 2020, the fair value of the Fund is RMB302,525,000 (2019: RMB1,000,000) per the investment statement of the financial institution. The fair value change in the amount of RMB5,021,000 (2019: nil) was recognized in profit or loss in the current year.

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL *RMB'000*
At January 1, 2020	333,963
Purchases	30,000
Disposal	(12,470)
At December 31, 2020	351,493

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Super short-term commercial papers	Medium-term Note	Corporate bonds	Lease liabilities	Dividend payable	Accrued interest	Advance from non-controlling interests	Payables for acquisition of non-controlling interests	Accrued expense	Amounts due to related parties non-trade	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note34)	*(Note35)*	*(Note36)*		*(Note37)*		*(Note29)*	*(Note29)*	*(Note29)*	*(Note29)*	*(Note49)*	
At December 31, 2018	10,095,929	1,298,665	–	1,994,422	–	–	65,623	90,484	–	–	2,760	13,547,883
Adjustment upon application of IFRS16	–	–	–	–	1,606,056	–	–	–	–	–	–	1,606,056
At January 1, 2019	10,095,929	1,298,665	–	1,994,422	1,606,056	–	65,623	90,484	–	–	2,760	15,153,939
Financing cash flows	2,862,170	(1,300,375)	–	(2,000,000)	(255,905)	(470,793)	(691,813)	(6,582)	–	–	(1,236)	(1,864,534)
Non-cash changes in finance costs	–	1,710	–	5,578	102,856	–	668,004	–	–	–	–	778,148
Interest capitalized	–	–	–	–	–	–	4,306	–	–	–	–	4,306
Net foreign exchange gain	(106,116)	–	–	–	–	–	–	–	–	–	–	(106,116)
Addition due to acquisition of subsidiaries	–	–	–	–	160,231	–	–	–	–	–	–	160,231
New leases entered	–	–	–	–	220,132	–	–	–	–	–	–	220,132
Dividends recognized as distributions and paid to non-controlling interests	–	–	–	–	–	472,769	–	–	–	–	–	472,769
At December 31, 2019	12,851,983	–	–	–	1,833,370	1,976	46,120	83,902	–	–	1,524	14,818,875

(Continued)

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Borrowings	Super short-term commercial papers	Medium-term Note	Corporate bonds	Lease liabilities	Dividend payable	Accrued interest	Advance from non-controlling interests	Payables for acquisition of non-controlling interests	Accrued expense	Amounts due to related parties non-trade	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note34)	*(Note35)*	*(Note36)*		*(Note37)*		*(Note29)*	*(Note29)*	*(Note29)*	*(Note29)*	*(Note49)*	
Financing cash flows	(3,011,074)	99,450	368,890	–	(321,052)	(552,786)	(579,179)	53,990	(264,280)	(11,181)	29,728	(4,187,494)
Non-cash changes in finance costs	–	501	873	–	113,536	–	565,512	–	–	–	–	680,422
Net foreign exchange gain	(213,536)	–	–	–	–	–	–	–	–	–	–	(213,536)
Addition due to acquisition of subsidiaries *(Note 40)*	31,571	–	–	–	116,662	–	–	–	–	–	–	148,233
Decrease due to disposal of subsidiaries *(Note 41)*	(4,529)	–	–	–	(31,545)	–	–	–	–	–	–	(36,074)
Transaction costs in relation to issuance	–	–	(2,220)	–		–	–	–	–	–	–	(2,220)
New leases entered	–	–	–	–	250,874	–	–	–	–	–	–	250,874
acquisition of non-controlling interests	–	–	–	–	–	–	–	–	290,466	–	–	290,466
Dividends recognized as distributions and paid to non-controlling interests	–	–	–	–	–	552,742	–	–	–	–	–	552,742
Issue costs of the placement and subscription	–	–	–	–	–	–	–	–	–	11,181	–	11,181
Covid-19-related rent concessions	–	–	–	–	(15,080)	–	–	–	–	–	–	(15,080)
At December 31, 2020	9,654,415	99,951	367,543	–	1,946,765	1,932	32,453	137,892	26,186	–	31,252	12,298,389

48. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The total costs charged to the consolidated statement of profit or loss and comprehensive income of RMB43,137,000 for the year ended December 31, 2020 (2019: RMB141,816,000) represent contributions paid and payable to the scheme by the Group for the year.

49. RELATED PARTY DISCLOSURES

I. Amounts due from related parties

	2020 *RMB'000*	2019 *RMB'000*
Current		
Associates held by the Group		
Shenbei Lexus	13,500	7,510
Guangzhou Xianghe Zhongyue	642	–
Sichuan Yongzhida	41	3
Shanghai Oriental Yongda	–	2,835
Joint ventures held by the Group		
Harbin Yongda *(note b)*	124,405	102,373
Ryde 88 Pty Limited *(note a)*	41,231	38,927
Shanghai Bashi Yongda	189	190
Shanghai Yongda Changrong	10	–
Entities controlled by the shareholders		
Shanghai Yongda Greening Co., Ltd.	–	153
Shanghai Yongda Group Company Limited	–	142
Shanghai Yongda Food & Leisure Co., Ltd.	–	1
	180,018	152,134
Analyzed as:		
Trade-related *(note a)*	10,865	10,942
Non trade-related *(note a)*	169,153	141,192
	180,018	152,134

49. RELATED PARTY DISCLOSURES (continued)

I. Amounts due from related parties (continued)

Notes:

a. The Group offers at its discretion certain related parties a credit period up to 90 days and the balances of trade-relate are with aging less than 90 days.

Except the balance of Ryde 88 Pty Limited, the remaining balances are interest-free, unsecured and repayable on demand. The balance of Ryde 88 Pty Limited is an AU$-denominated and unsecured loan of principal amounting to AU$6,000,000 with maturity of three years commenced in 2016. The loan carries a fixed interest rate of 12% per annum. The interests are payable upon maturity. The Group reached a new agreement that Ryde 88 Pty Limited shall full settled the loan with the year of 2021.

b. The maximum amount outstanding related to Harbin Yongda during the year ended 31 December 2020 is RMB124,405,000 (2019: RMB105,860,000).

II. Amounts due to related parties

	2020 *RMB'000*	2019 *RMB'000*
Joint ventures held by the Group		
Shanghai Bashi Yongda	26,252	138
Harbin Yongda	266	20
Shanghai Yongda Changrong	–	636
Associates held by the Group		
Sichuan Yongzhida	–	2,008
Shanghai Yongda Fengdu Automobile	5,750	–
Shenbei Lexus	6	–
Shanghai Oriental Yongda	5	4
Entity controlled by the shareholders		
Shanghai Yongda Group Company Limited	–	3
	32,279	2,809
Analyzed as:		
Trade-related *(note a)*	1,027	1,285
Non trade-related *(note b)*	31,252	1,524
	32,279	2,809

Notes:

a. A credit period of not exceeding 90 days is given to the Group by the related parties and the balances are with aging less than 90 days.

b. The balances are interest-free, unsecured and repayable on demand.

49. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions

	2020 RMB'000	2019 RMB'000
a) Sales of motor vehicles		
Shanghai Oriental Yongda	729,543	1,154,486
Jiajia Yongda Automobile Sales Co. Ltd.	30,837	2,296
Shanghai Bashi Yongda	2,052	15,135
Sichuan Yongzhida	866	–
Shenbei Lexus	258	–
Shanghai Yongda Changrong	125	–
	763,681	1,171,917
b) Purchase of motor vehicles		
Shanghai Bashi Yongda	34,263	56,294
Shanghai Yongda Changrong	2,544	5,640
	36,807	61,934
c) Sales of spare parts		
Shanghai Bashi Yongda	1,362	–
Shanghai Yongda Changrong	887	497
	2,249	497
d) Interest income from		
Ryde 88 Pty Limited *(Note 6)*	2,304	3,456

49. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

	2020 RMB'000	2019 RMB'000
e) Rental expenses paid to		
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd., and Shanghai Yongda Property Development Co., Ltd. *(note)*	33,291	33,389
Associate held by the Group		
Shanghai Yongda Fengdu Automobile	3,904	3,904
Joint venture held by the Group		
Harbin Yongda International Automobile Plaza	1,000	2,000
	38,195	39,293

Note: The related party transaction constitutes continuing connected transaction for the Company within the meaning of the Listing Rules, the details of which are disclosed in the section headed "Connected and Continuing Connected Transactions" in this annual report.

	2020 RMB'000	2019 RMB'000
f) Compensation of key management personnel		
Short-term benefits	12,109	12,725
Post-employment benefits	57	569
Share-based payments	6,027	4,552
	18,193	17,846

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

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at December 31, 2020 is as follows:

	NOTE	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		33,608	49,746
Unlisted investment in a subsidiary and amounts due from subsidiaries		4,002,643	3,998,609
		4,036,251	4,048,355
Current assets			
Other receivables		1,220	3,688
Bank balances and cash		558,572	49,998
Restricted bank balances		32,897	114,890
Amounts due from subsidiaries		1,142,982	1,140,408
		1,735,671	1,308,984
Current liabilities			
Other payables		17,214	20,682
Borrowings		416,884	848,663
Derivative financial liabilities		39,859	12,606
Amounts due to subsidiaries		617,879	2,919
		1,091,836	884,870
Net current assets		643,835	424,114
Total assets less current liabilities		4,680,086	4,472,469
Non-current liabilities			
Borrowings		2,383,545	2,691,876
Derivative financial liabilities		271,338	102,739
Total non-current liabilities		2,654,883	2,794,615
Net assets		2,025,203	1,677,854
Capital and reserves			
Share capital		16,306	15,080
Reserves	(a)	2,008,897	1,662,774
Total equity		2,025,203	1,677,854

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note (a):

	Share premium RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2019	2,233,642	108,382	(201,189)	2,140,835
Loss for the year	–	–	(93,377)	(93,377)
Exercise of share options	6,301	–	–	6,301
Recognition of equity-settled share-based payments	–	22,732	–	22,732
Dividends recognized as distributions	(413,717)	–	–	(413,717)
At December 31, 2019	1,826,226	131,114	(294,566)	1,662,774
Loss for the year	–	–	(150,099)	(150,099)
Placement and subscription *(Note 32)*	903,133	–	–	903,133
Issue costs for the placement and subscription	(11,181)	–	–	(11,181)
Exercise of share options	59,470	–	–	59,470
Recognition of equity-settled share-based payments	–	31,254	–	31,254
Dividends recognized as distributions	(486,454)	–	–	(486,454)
At December 31, 2020	2,291,194	162,368	(444,665)	2,008,897

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows:

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Directly held:						
Sea of Wealth International Investment Company Limited ("Sea of Wealth") 富海國際投資有限公司	The British Virgin Islands	November 15, 2011	1 share of US$1.00 each	100	100	Investment holding
Hongda Automobiles Co., Ltd. *(note 1)* 弘達汽車有限公司	Hong Kong	November 12, 2003	RMB677,262,694	100	100	Investment holding
Grouprich International Investment Holdings Limited ("Grouprich International") 香港匯富國際投資集團有限公司	Hong Kong	September 10, 2004	1,000,000 shares of HK$1.00 each	100	100	Investment holding
Indirectly held:						
Shanghai Yongda Investment Holdings Group Co., Ltd. *(note 3)* 上海永達投資控股集團有限公司 (formerly known as Shanghai Yongda Investment Co., Ltd. 上海永達投資有限公司)	PRC	September 25, 2003	RMB2,320,000,000	100	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. *(note 2)* 上海永達汽車集團有限公司 (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司)	PRC	September 15, 2003	RMB1,893,204,250	100	100	Investment holding
Shanghai Yongda Automobile Leasing Co., Ltd *(note 3)* 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB150,000,000	100	100	Automobile operating lease services

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Shanghai Baozen Automobile Sales and Services Co., Ltd. *(note 3)* 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB80,000,000	100	100	4S dealership
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. *(note 3)* 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB50,000,000	100	100	4S dealership
Taiyuan Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	60	88	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB30,000,000	100	100	4S dealership
Wuxi Yicheng Automobile Sales and Services Co., Ltd. *(note 4)* 無錫翼誠汽車銷售服務有限公司	PRC	October 13, 2011	RMB30,000,000	100	100	4S dealership
Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. *(Note 42)* ("Wuxi Yongda Oriental") 無錫永達東方汽車銷售服務有限公司	PRC	April 15, 2011	RMB50,000,000	95	70	4S dealership
Shanghai Yongda Infiniti Automobile Sales and Services Co., Ltd. *(note 4)* 上海永達英菲尼迪汽車銷售服務有限公司	PRC	September 18, 2006	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. *(note 4)* 上海永達英菲尼迪七寶汽車銷售服務有限公司	PRC	August 14, 2009	RMB25,000,000	100	100	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Guangzhou Yongda Automobile Rental Co., Ltd. ("Guangzhou Yongda Automobile Rental") 廣州永達汽車租賃有限公司*(note 4)*	PRC	July 6, 2012	RMB30,000,000	100	100	Automobile operating lease services
Yongsheng Finance Leasing Co., Ltd 永昇融資租賃有限公司*(note 2)*	PRC	August 22, 2014	RMB133,875,000	100	100	Finance leasing services
Shanghai Yongda Finance Leasing Co., Ltd. *(note 2)* 上海永達融資租賃有限公司	PRC	March 29, 2013	RMB500,000,000	100	100	Finance leasing services
Linyi Yubaohang Automobile Sales and Services Co., Ltd. *(note 4)* 臨沂宇寶行汽車銷售服務有限公司	PRC	October 26, 2006	RMB30,000,000	100	100	4S dealership
Lishui Jiacheng Automobile Sales and Services Co., Ltd. *(note 3)* 麗水市嘉誠汽車銷售有限公司	PRC	May 17, 2010	RMB80,000,000	100	100	4S dealership
Jiangyin Leichi Automobile Sales and Services Co., Ltd. *(note 4)* 江陰雷馳汽車銷售服務有限公司	PRC	August 23, 2010	RMB35,000,000	88	88	4S dealership
Yancheng Yuebao Trading Co., Ltd. 鹽城悦寶貿易有限公司 *(note 4)*	PRC	October 31, 2015	RMB20,396,500	100	100	Not yet commenced business
Haerbin Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 哈爾濱寶誠汽車銷售服務有限公司	PRC	March 7, 2015	RMB30,000,000	100	100	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020	2019	
				%	%	
Tianjin Zhongshun Jinbao Automobile Sales and Services Co., Ltd. *(note 3)* 天津市中順津寶汽車服務有限公司	PRC	March 31, 2015	RMB45,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. *(note 4)* 無錫寶尊汽車銷售服務有限公司	PRC	August 31, 2015	RMB20,000,000	100	100	4S dealership
Guangdong Yongda South Investing Co., Ltd. *(note 4)* 廣東永達南方投資有限公司	PRC	June 09, 2014	RMB266,000,000	70	70	Investment holding
Taixing Yongda Zhongcheng Automobile Sales and Services Co., Ltd. *(note 4)* 泰興永達眾誠汽車銷售服務有限公司	PRC	February 28, 2015	RMB20,000,000	100	100	4S dealership
Shengzhou Yongda Bencheng Automobile Sales and Services Co., Ltd. *(note 4)* 嵊州市永達本誠汽車銷售服務有限公司	PRC	June 30, 2015	RMB43,300,000	100	100	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. *(note 4)* 南通東方永達佳晨汽車銷售服務有限公司	PRC	November 16, 2011	RMB40,000,000	100	60	4S dealership
Shanghai Yongda Shenjie Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達申傑汽車銷售服務有限公司	PRC	March 3, 2011	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Jiawo Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達嘉沃汽車銷售服務有限公司	PRC	March 1, 2011	RMB30,000,000	100	100	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Rui'an Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 3)* 瑞安市永達路捷汽車銷售服務有限公司	PRC	March 5, 2014	RMB42,000,000	100	100	4S dealership
Kunshan Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 4)* 昆山永達路捷汽車銷售服務有限公司	PRC	March 15, 2014	RMB40,000,000	100	100	4S dealership
Changshu Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 4)* 常熟永達路捷汽車銷售服務有限公司	PRC	June 8, 2014	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Hongjie Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達弘傑汽車銷售服務有限公司	PRC	July 5, 2011	RMB60,000,000	100	100	4S dealership
Shanghai Yongda Qiming Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達啟明汽車銷售服務有限公司	PRC	January 27, 2015	RMB22,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. ("Wuxi Baozen") *(note 4)* 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB100,000,000	88	88	4S dealership
Jiangsu Baozun Investment Group Co., Ltd. 江蘇寶尊投資集團有限公司 *(note 3)*	PRC	April 25, 2011	RMB589,910,000	100	100	Investment holding
Changzhou Baozun Automobile Sales and Services Co., Ltd. *(note 4)* 常州寶尊汽車銷售服務有限公司	PRC	May 11, 2006	RMB22,220,000	100	100	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020	2019	
				%	%	
Changzhou Xin Baozun Automobile Sales and Services Co., Ltd. *(note 4)* 常州新寶尊汽車銷售服務有限公司	PRC	October 29, 2009	RMB10,000,000	100	100	4S dealership
Changzhou Kaidi Automobile Sales and Services Co., Ltd. *(note 4)* 常州凱帝汽車銷售服務有限公司	PRC	August 29, 2012	RMB10,000,000	100	100	4S dealership
Changzhou Changtong Auto Sales and Service Co., Ltd. *(note 4)* 常州常通汽車銷售服務有限公司	PRC	January 9, 2003	RMB23,000,000	100	100	4S dealership
Changzhou Zunyue Automobile Sales and Services Co., Ltd. *(note 4)* 常州尊越汽車銷售服務有限公司	PRC	June 25, 2007	RMB10,000,000	100	100	4S dealership
Yulin Ruibao Automobile Sales Service Co. Ltd. *(Note 41)* 榆林睿寶行汽車銷售服務有限公司	PRC	June 25, 2007	RMB25,000,000	–	100	4S dealership
Dezhou Shengbao Automobile Sales Service Co. Ltd. *(note 4)* 德州聖寶汽車銷售服務有限公司	PRC	October 17, 2013	RMB99,890,000	100	100	4S dealership
Yancheng Baocheng Automobile Sales and Service Co., Ltd. *(Note 42)* 鹽城寶誠汽車銷售服務有限公司	PRC	December 9, 2008	RMB30,000,000	100	71	4S dealership
Yancheng Yongda Zhongcheng Automobile Sales Service Co., Ltd. *(Note 42)* 鹽城永達眾誠汽車銷售服務有限公司	PRC	July 22, 2012	RMB30,000,000	100	71	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Guangzhou Tengyue New Energy Vehicle Sales Service Co., Ltd. *(Note 42)* 廣州騰悅新能源汽車銷售服務有限公司	PRC	June 11, 2015	RMB10,000,000	100	80	4S dealership
Shaoxing Hecheng Haichang Service Co., Ltd. Service Co. Ltd *(Note 41)* 紹興和誠海昌汽車服務有限公司	PRC	November 9, 2007	RMB38,800,000	–	100	4S dealership
Shaoxing Yongda Unlimited Automobile Service Co., Ltd. *(Note 41)* 紹興永達無限汽車銷售服務有限公司	PRC	August 22, 2011	RMB20,000,000	–	85	4S dealership
Shenzhen South Zhongyue Travel Service Co., Ltd *(Note 41)* 深圳南方眾悅出行服務有限公司	PRC	September 15, 2015	RMB500,000	–	100	Travel Service
Beijing Jinshicheng Trading Co., Ltd. 北京金世誠商貿有限公司 *(Note 41)*	PRC	April 30, 2009	RMB5,000,000	–	80	Trading
Shanghai Saitong Real Estate Development Co., Ltd. *(Note 41)* 上海賽通房地產發展有限公司	PRC	November 13,2015	RMB3,000,000	–	100	Real Estate
Shanghai Yongda Used Car Chain Management Co., Ltd. 上海永達二手車連鎖經營有限公司	PRC	November 26, 2014	RMB50,000,000	100	80	Used car business
Weifang Shengbao Automobile Sales Service Co. Ltd. *(note 3)* 濰坊聖寶汽車銷售服務有限公司	PRC	October 10, 2013	RMB20,000,000	100	100	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020	2019	
				%	%	
Zibo Shengbao Automobile Sales Service Co. Ltd. *(note 4)* 淄博聖寶汽車銷售服務有限公司	PRC	October 18, 2013	RMB10,000,000	100	100	4S dealership
Dongying Yibaoxuan Automobile Sales Service Co. Ltd. *(note 4)* 東營宜寶軒汽車銷售服務有限公司	PRC	March 1, 2011	RMB10,000,000	100	100	4S dealership
Yulin Baitai Automobile Sales and Services Co., Ltd. *(note 3)* 榆林百泰汽車銷售服務有限公司	PRC	May 24, 2012	RMB52,000,000	100	100	4S dealership
Fujian Quanzhou Baitai Automobile Sales and Services Co., Ltd. *(note 3)* 福建省泉州百泰汽車銷售服務有限公司	PRC	March 23, 2011	RMB50,000,000	100	100	4S dealership
Fujian Baitai Automobile Sales and Services Co., Ltd. *(note 4)* 福建百泰汽車銷售服務有限公司	PRC	December 19, 2013	RMB95,000,000	100	100	4S dealership
Yulin Chengtai Automobile Sales Service Co., Ltd. *(Note 41)* 榆林誠泰汽車銷售服務有限公司	PRC	August 21, 2013	RMB25,000,000	–	100	4S dealership
Fuqing Dachangjiang Runtong auto Sales Services Ltd. *(note 4)* 福清大長江潤通汽車銷售服務有限公司	PRC	December 10, 2013	RMB30,000,000	100	100	4S dealership
Haina Automobile Insurance Sales Co., Ltd. *(note 4)* 海納汽車保險銷售有限公司	PRC	May 4, 2012	RMB50,000,000	100	100	Insurance services

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020	2019	
				%	%	
Weifang Yongda Investment Management Ltd. *(note 3)* 潍坊永達投資管理有限公司	PRC	May 4, 2012	RMB13,580,595	100	100	Investment management
Fuzhou Tianchu Machinery Co., Ltd. *(note 4)* 福州天楚機械有限公司	PRC	August 13, 1998	RMB13,500,000	100	100	Machine tools trading
Nanchong Yongda Lujie Automobile Sales Service Co., Ltd. *(note 4)* 南充永達路捷汽車銷售服務有限公司	PRC	April 3, 2014	RMB64,500,000	100	100	4S dealership
Chengdu Xin Jin Feng Automobile Sales and Services Co., Ltd. *(note 4)* 成都新錦豐汽車銷售服務有限責任公司	PRC	February 22, 2013	RMB62,300,000	100	100	4S dealership
Mianyang Xinjincheng Automobile Sales and Services Co., Ltd. *(note 4)* 綿陽新錦程汽車銷售服務有限責任公司	PRC	May 23, 2014	RMB81,000,000	100	100	4S dealership
Nanchong Xinshuangli Automobile Sales Service Co. Ltd. *(note 4)* 南充新雙立汽車銷售服務有限責任公司	PRC	April 4, 2014	RMB26,700,000	100	100	4S dealership
Jiangyin Shengda Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達汽車銷售服務有限公司	PRC	April 25, 2001	RMB10,000,000	100	100	4S dealership
Jiangyin Shengda Toyota Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達豐田汽車銷售服務有限公司	PRC	October 27, 1999	RMB20,000,000	100	100	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Jiangyin Shengda Yintian Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達穎田汽車有限公司	PRC	November 16, 2005	RMB10,000,000	100	100	4S dealership
Jiangyin Yinda Automobile Sales Service Co. Ltd. *(note 4)* 江陰市穎達汽車銷售有限公司	PRC	May 15, 2007	RMB12,100,000	100	100	4S dealership
Jiangyin Shengda Jiayin Automobile Sales Service Co. Ltd. *(note 4)* 江陰市盛達佳穎汽車銷售有限公司	PRC	September 5, 2007	RMB5,000,000	100	100	4S dealership
Jiangyin Shengsheng Automobile Sales Service Co. Ltd. *(note 4)* 江陰盛升汽車有限公司	PRC	August 4, 2009	RMB15,000,000	100	100	4S dealership
Shanghai Yuexing Automobile Co., Ltd. *(note 4)* 上海越星汽車有限公司	PRC	July 25, 2013	RMB30,000,000	100	100	4S dealership
Shanghai Dezhilin Automobile Co., Ltd. *(note 4)* 上海德之林汽車有限公司	PRC	July 25, 2013	RMB80,000,000	100	100	4S dealership
Qingruo Investment (Shanghai) Co., Ltd. *(note 3)* 慶若投資(上海)有限公司	PRC	March 1, 2013	RMB480,610,806	100	100	Investment holding

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Shanghai Beiershi Automobile Sales Service Co., Ltd. 上海貝兒石汽車銷售服務有限公司	PRC	November 13, 2014	RMB6,124,800	–	100	Trading
Shanghai Hongshi Information Consulting Co., Ltd. *(note 4)* 上海宏實信息諮詢有限公司	PRC	October 16, 2007	RMB47,075,500	100	100	Information consultancy
Nanchang Yongda Yongcheng Automobile Sales Service Co., Ltd. *(notes 4)* 南昌永達永誠汽車銷售服務有限公司	PRC	November 9, 2017	RMB2,100,000	100	100	4S dealership
Jiujiang Inchcape Jiuxing Automobile Sales Service Co., Ltd. *(note 4)* 九江英之傑九星汽車銷售服務有限公司	PRC	October 25, 2017	RMB80,164,740	100	100	4S dealership
Shaoxing Yongda Lexus Automobile Sales Service Co., Ltd. *(note 4)* 紹興永達雷克薩斯汽車銷售服務有限公司	PRC	February 28, 2007	RMB112,438,960	100	100	4S dealership
Nanchang Yongda Automobile Sales Service Co., Ltd. *(note 4)* 南昌永達汽車銷售服務有限公司	PRC	June 1, 2011	RMB65,366,600	100	100	4S dealership
Nanning Baocheng Automobile Sales Service Co., Ltd. *(notes 1,4)* 南寧寶誠汽車銷售服務有限公司	PRC	November 11, 2015	RMB20,000,000	100	–	4S dealership
Kunming Baocheng Automobile Sales Service Co., Ltd. *(notes 1,4)* 昆明寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB200,000,000	100	–	4S dealership

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities @
				2020 %	2019 %	
Dali Baocheng Automobile Sales Service Co., Ltd. *(notes 1,4)* 大理寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB80,000,000	100	–	4S dealership
Yuxi Baocheng Automobile Sales Service Co., Ltd. *(notes 1,4)* 玉溪寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB53,000,000	100	–	4S dealership
Baoshan Baocheng Automobile Sales Service Co., Ltd. *(notes 1,4)* 保山寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB21,000,000	100	–	4S dealership
Yibin Baocheng Automobile Sales Service Co., Ltd. *(notes 1,4)* 宜賓寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB52,000,000	100	–	4S dealership
Dazhou Baocheng Automobile Sales Service Co., Ltd. *(notes 1,4)* 達州寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB72,000,000	100	–	4S dealership

\# Except for Sea of Wealth, Hongda Automobiles Co., Ltd. and Grouprich International which are limited liability companies, all subsidiaries are domestic limited liability enterprises.

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

@ 4S dealership represents an automobile dealership authorized by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, services and survey.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Notes:

1. These companies were newly acquired in 2020. Details are set out in Note 40.

2. This company is a sino-foreign equity joint venture (including Hong Kong,Taiwan and Macao).

3. This company is a wholly-foreign owned enterprise (including Hong Kong,Taiwan and Macao).

4. This company is a wholly-domestic owned enterprise.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year, except for Shanghai Yongda Investment Holdings Group Co., Ltd. which issued super short-term commercial papers with principal amount of RMB100 million and medium-term note with principal amount of RMB370 million. Details of the super short-term commercial papers are set out in Note 35 and details of the medium-term note are set out in Note 36.

Financial Summary

For the year ended December 31, 2020

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended December 31,				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**68,533,850**	62,707,380	55,318,486	50,699,302	43,032,502
Profit before tax	**2,294,793**	2,075,782	1,752,561	2,007,500	1,152,003
Income tax expense	**(561,708)**	(506,728)	(427,525)	(405,712)	(244,227)
Profit for the year	**1,733,085**	1,569,054	1,325,036	1,601,788	907,776
Other comprehensive income	**2,289**	1,331	(15,161)	5,789	–
Total comprehensive income for the year	**1,735,374**	1,570,385	1,309,875	1,607,577	907,776
Profit for the year attributable to:					
Owners of the Company	**1,624,961**	1,472,984	1,253,099	1,509,930	851,272
Non-controlling interests	**108,124**	96,070	71,937	91,858	56,504
	1,733,085	1,569,054	1,325,036	1,601,788	907,776
Total comprehensive income for the year attributable to:					
Owners of the Company	**1,627,250**	1,474,315	1,237,938	1,515,719	851,272
Non-controlling interests	**108,124**	96,070	71,937	91,858	56,504
	1,735,374	1,570,385	1,309,875	1,607,577	907,776
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**34,737,491**	35,474,817	31,015,663	27,926,788	20,375,125
TOTAL LIABILITIES	**(22,381,832)**	(25,022,220)	(21,495,676)	(19,145,354)	(14,972,192)
NON-CONTROLLING INTERESTS	**(523,923)**	(571,057)	(532,074)	(493,123)	(441,174)
	11,831,736	9,881,540	8,987,913	8,288,311	4,961,759