



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 03669

Interim Report
2021





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHEUNG Tak On (*Chairman*)

Mr. CAI Yingjie

(Vice-chairman and Chief Executive Officer)

Mr. WANG Zhigao (*Vice-chairman*)

Mr. XU Yue (*Vice-chairman and President*)

Ms. CHEN Yi (*Vice-president*)

Non-executive Director

Mr. WANG Liquan

Independent Non-executive Directors

Ms. ZHU Anna Dezhen

Mr. LYU Wei

Mr. MU Binrui

CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District

Shanghai

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Central

Hong Kong

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited

One Nexus Way

Camana Bay

Grand Cayman, KY1-9005

Cayman Islands

LEGAL ADVISERS TO HONG KONG LAW

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3A Chater Road, Hong Kong

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

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STOCK CODE

03669

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

35/F One Pacific Place

88 Queensway

Hong Kong

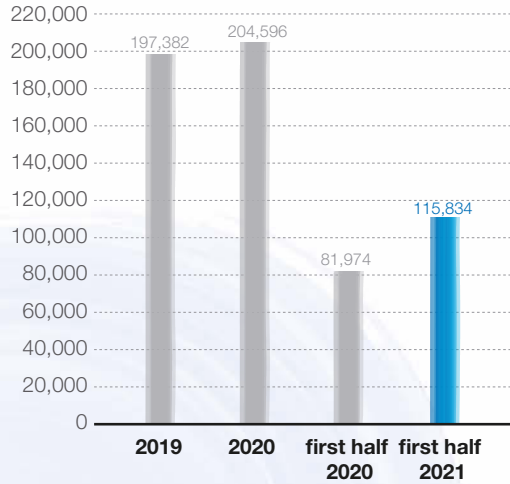
COMPANY WEBSITE

www.ydauto.com.cn

Financial Highlights

New vehicles sales volume

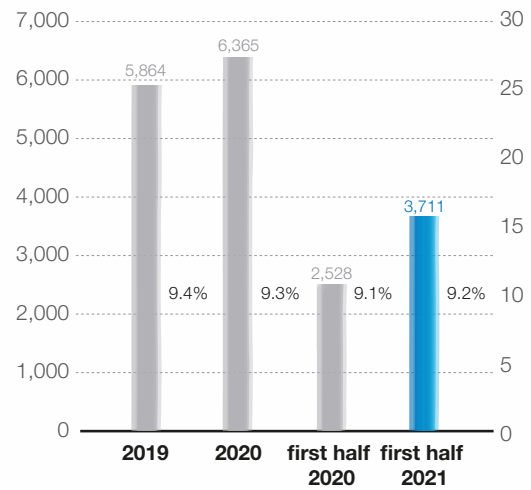
Sales volume of new vehicles (units)



Gross profit and gross profit margin

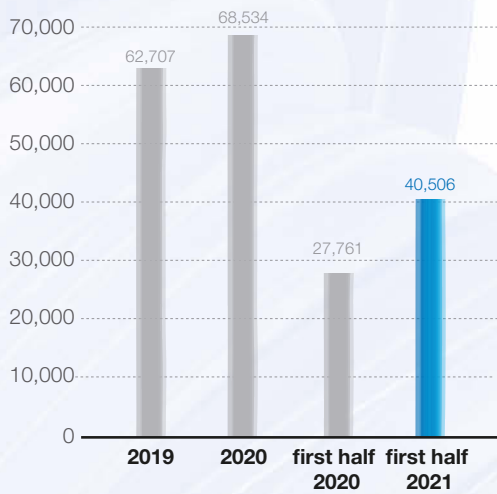
RMB million

%



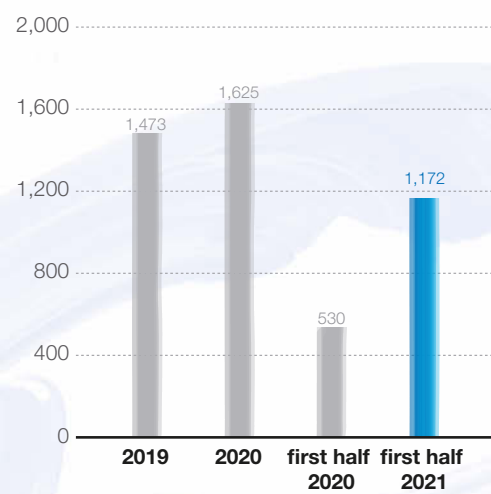
Revenue

RMB million



Profit attributable to owners of the Company

RMB million





Chairman's Statement



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the Interim Report for the first half of 2021 of the Company and its subsidiaries (collectively referred to as the "Group", "we" or "us").

In the first half of 2021, the sales market of passenger vehicles in China as a whole maintained a good growth trend. According to the data from China Passenger Cars Association, the sales volume of new luxury vehicles reached 1.981 million units in first half of the year, which was stronger than the overall passenger vehicles market, with a year-on-year increase of 39.5%. Driven by the strong demand for upgrading of the consumption of domestic automobile, it is expected that the luxury vehicles market will continue to maintain a good growth trend throughout 2021.

Chairman's Statement

In the first half of 2021, the comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services of the Group amounted to RMB41,126 million and RMB4,331 million respectively, representing an increase of 45.6% and 43.6%, respectively, compared to the same period of 2020. Our net profit and net profit attributable to owners of the Company amounted to RMB1,247 million and RMB1,172 million respectively, representing an increase of 118.1% and 121.1% respectively compared to the same period of 2020.

KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD

1. In the first half of 2021, our business scaled up rapidly.

In the first half of 2021, our sales volume of new vehicles was 115,834 units, increased by 41.3% over the same period in 2020; our sales revenue from new vehicles reached RMB33,978 million, representing an increase of 44.1% compared with the same period of 2020. Among which, the revenue from new vehicles of luxury brands amounted to RMB28,767 million, representing a year-on-year increase of 41.7%. The sales revenue from new vehicles of BMW brand amounted to RMB15,670 million, representing a year-on-year increase of 48.8%, and the sales revenue from new vehicles of Porsche brand amounted to RMB4,850 million, representing a year-on-year increase of 30.8%.

In the first half of 2021, our after-sales service business, including maintenance services and automobile extended products and services, reached a revenue of RMB5,518 million, representing an increase of 39.3% over the same period in 2020. The gross profit margin of our after-sales service remained stable.

2. In the first half of 2021, our profitability continued to improve.

In the first half of 2021, the gross profit margin of our new vehicle sales was 3.15%, representing an increase of 0.51 percentage point compared with the same period of 2020. Among which, the gross profit margin of our new vehicle sales of luxury brands was 3.68%, representing a year-on-year increase of 0.67 percentage point; the gross profit margin of our new vehicle sales of BMW brand amounting to 2.56% remained stable, and the gross profit margin of new vehicles sales of Porsche brand was 8.71%, representing a year-on-year increase of 1.76 percentage points.

In the first half of 2021, the net profit margin of the Company was 3.08%, representing a year-on-year increase of 1.02 percentage points.



Chairman's Statement

3. In the first half of 2021, our operational efficiency continued to improve.

Our inventory turnover days for the first half of 2021 were 23.4 days, representing a decrease of 13.6 days as compared to the corresponding period of 2020 and a decrease of 2.0 days as compared to the second half of 2020; the net cash generated from operating activities was RMB3.827 billion, representing a year-on-year increase of 37.6%; the ratio of distribution, selling and administrative expenses was 6.28%, representing a year-on-year decrease of 1.05 percentage points; and the percentage of finance costs was 0.69%, representing a year-on-year decrease of 0.66 percentage point.

4. In the first half of the year, the profitability of our pre-owned vehicle business was improving.

In the first half of 2021, our sales volume of pre-owned vehicles was 33,104 units, representing a year-on-year increase of 71.9%. Of which 4,399 units were distributed by us and recorded a revenue of RMB896.62 million, and 28,705 units were sold for which we acted as an agent and recorded the agency revenue generated from pre-owned vehicles of RMB92.34 million. The gross profit of pre-owned vehicles was RMB174.2 million, representing a year-on-year increase of 157.4%, including RMB81.86 million from distribution and RMB92.34 million from agency sales.

5. In the first half of the year, our network was continuously optimized and improved.

In the first half of 2021, in terms of luxury and ultra luxury brands, one of our Porsche 4S stores in Kunshan, Jiangsu was put into operation. In terms of new energy agency brands, one Tesla maintenance center in Mianyang, one Ford new energy showroom in Shanghai and one BYD new energy 4S store in Shenzhen were put into operation. In terms of new authorization, we obtained 17 brand authorizations in the first half of 2021, including one luxury vehicle 4S store, two luxury vehicle showrooms, three new energy 4S stores, eight new energy showrooms and three new energy maintenance centers.

6. In the first half of 2021, we have conducted restructuring and divestiture of our business in Shanghai Yongda Finance Leasing Co., Ltd. (上海永達融資租賃有限公司) ("Yongda Finance Leasing"), and the asset structure of the Company has been improving. The return on equity for the first half of 2021 was 9.64%, representing a year-on-year increase of 4.53 percentage points; and the net gearing ratio was 23.2%, representing a decrease of 30.9 percentage points as compared with the end of 2020.

Chairman's Statement

FUTURE PROSPECTS

We believe that the domestic passenger vehicle market has huge potentials, and the demand for consumption upgrade and acquisition or replacement of automobiles will enable the luxury brand automobiles market to maintain a steady growth. Meanwhile, with the fast development in the electricalization and intelligentization of the vehicles, the production and sales of new energy automobiles will step into the period of relatively rapid growth, which will form dual channels with and complementing with luxury brand automobile market. With the rapid growth of overall ownership, especially the luxury vehicles ownership, the aftermarket of vehicles sales and service will maintain a good long-term growth trend; based on continuous optimization of industrial policies and the growth of needs for replacement and upgrade of automobiles in the market, the pre-owned vehicle business will be the new growth point in the industry in the future, and the overall market has potentials for growth.

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

1. We will remain focused on our principal business of vehicles sales and service and particularly step up efforts in the field of luxury vehicles brands. We will strive to maintain the leading position in BMW and Porsche brands, and meanwhile broaden the sales scales of key luxury brands including Mercedes-Benz and Lexus. We will keep close track of the opportunities such as mergers and acquisitions of key brands, renovation of existing facilities and capacity expansion, shut down, suspension, mergers and acquisitions or transfer of outlets with poor profitability. Through continuous improvement of operational efficiency and quality, we regard sustainable high growth as the strategic goal for the long-term operation and management of the Company;
2. We will make full use of the continuous optimization of the state's policies on pre-owned vehicles. We will accelerate the scale expansion of the pre-owned vehicles business and the transformation and upgrading of the business model, and consolidate the dual-channel construction of brand authorization outlets and the pre-owned vehicle chain malls of the Group's own brand. We will focus on creating an omni-channel "new retail" model that integrates online and offline, and enhance the influence of the Group's pre-owned vehicles service brand. In the next three years, the scale of the Company's pre-owned vehicles business is expected to maintain a compound annual growth rate of not less than 30%. It is estimated that by 2023 the old-new ratio can reach more than 40%, of which the old-new ratio for luxury brands is expected to reach more than 45%;
3. We will enhance the layout in the new energy automobile industry. We will establish an independent team for new energy automobile industry, and make active cooperation with emerging independent new energy brands, domestic leading independent brands and international traditional luxury brands on new energy automobile sales services, so as to rapidly expand new energy vehicle service outlets and to increase business scale. Besides, we will actively explore the future business opportunities in the new energy service industry chain and make business layout in advance;



Chairman's Statement

4. We will strengthen digital construction. Digital construction can help us to improve management, increase business scale and asset operation efficiency. We will focus on the management of retail quality of new vehicles and inventory turnover, the growth of after-sales service revenue and the continuous improvement of service absorption rate;
5. We will take all efforts to maintain and manage customers. We will accelerate the establishment of more online new media contacts and marketing channels. Combined with the development of online platforms, we will focus on promoting customer loyalty programs and enhancing the management of retained customer value, and continue to improve customer service experience;
6. We will continue to optimize the assessment management and incentive mechanism of the Company. We will continue to strengthen team building and talent training in the fields of new energy, pre-owned vehicles and other industries, to maintain a stable and healthy cash flow and asset-liability ratio, and actively practice corporate social responsibility, and to improve the brand image 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 all parties in the community for their support towards the steady development of the Group.

CHEUNG Tak On
Chairman

August 24, 2021

Management Discussion & Analysis

MARKET REVIEW

According to the data from China Passenger Cars Association (“CPCA”), in the first half of 2021, the overall retail sales of passenger vehicles in China reached 9.942 million units, representing a year-on-year increase of 28.9%. Among them, the sales volume of luxury vehicles reached 1.981 million units, representing a year-on-year increase of 39.5%. Sales volume of BMW increased by 38.5% year-on-year, sales volume of Mercedes-Benz increased by 26.3% year-on-year, sales volume of Audi increased by 33.8% year-on-year, and sales volume of Porsche increased by 20.1% year-on-year.

In the first half of 2021, the domestic automobile consumption market continued its good trend in the second half of last year. Among them, the sales of luxury vehicles are still stronger than that of the overall market. The pandemic at home and abroad was generally under control, and the supply of major brands has remained stable since the second half of last year. The shortage of chips this year has affected the production plans of various brands to varying degrees, but the impact on major luxury brands was relatively small. As of June 30, 2021, the supply and sales of new vehicles of luxury brands still maintained annual growth. At the same time, affected by the chip factor, the prices of imported vehicles of major luxury brands remained a steady rise in the first half of the year. We believe that the upgrading demand of automobile consumption, 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 market in the future. It is expected that the main luxury brands automobiles will maintain good momentum of growth throughout 2021.





Management Discussion & Analysis

According to the data from CPCA, the sales of new energy vehicles in the first half of 2021 increased by 218.9% year-on-year to 1.001 million units, of which pure electric vehicles accounted for 83.0%. New power new energy vehicle brands continued to maintain rapid development, and new brands continued to enter the market. New energy vehicles of self-owned brands, represented by Great Wall, BYD and Geely, launched a variety of competitive products and won praise from the market. Pure electric vehicles of traditional joint venture brands have also begun to enter the climbing growth stage. As the major brands of automobiles have clarified their future new energy vehicle strategies, it is expected that as the market and technology continue to mature, the overall new energy vehicle market will maintain rapid growth for a long period of time.

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 8.4342 million units in the first half of 2021, representing a year-on-year increase of 52.9%. The average transaction price of pre-owned vehicles in China was RMB62,000, while vehicles with an age of less than 6 years accounted for 59.6% of the total transaction volume. The overall passenger vehicles market in China has gradually entered the replacement 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 will usher in a stage of rapid growth in the future.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the PRC (中國公安部交通管理局), as at the end of June 2021, the motor vehicle ownership in China reached 384 million units, of which 292 million are automobiles. The number of cities where the motor vehicle ownership exceeded 1 million units was 74, representing a year-on-year increase of 5 cities; the number of cities where the motor vehicle ownership exceeded 2 million units was 33; the number of cities where the motor vehicle ownership exceeded 3 million units was 18. According to the forecast of Huatai Research, by 2030, the size of passenger vehicles after-sales maintenance market in China will reach RMB1.695 trillion, with the compound growth rate of 8.5% from 2020 to 2030. In the future, the automobile consumption market in the PRC will show a differentiated development trend. For developed regions and cities with high ownership, there will form a strong demand for automobile consumption upgrades, a huge after-sales base and a booming pre-owned vehicle trading market; and for developing mid- and low-tier cities, it will experience the development process of continuous growth and expanding ownership.

Management Discussion & Analysis



BUSINESS REVIEW

In the first half of 2021, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services amounted to RMB41,126 million and RMB4,331 million respectively, representing increases of 45.6% and 43.6% respectively compared with the same period of 2020, and our net profit and net profit attributable to owners of the Company amounted to RMB1,247 million and RMB1,172 million respectively, representing an increase of 118.1% and 121.1% respectively compared with the same period of 2020.

Our inventory turnover days for the first half of 2021 have been significantly reduced to 23.4 days from 37.0 days in the same period of 2020, and 2.0 days lower than the inventory turnover days of 25.4 days in the second half of 2020.

Set forth below is a summary of our business development in the first half of 2021:

Management Discussion & Analysis



Rapid Growth in New Vehicle Sales Business

In the first half of 2021, our sales volume of new vehicles was 115,834 units, increased by 41.3% year-on-year over 2020. Our sales volume of new vehicles of luxury brands increased by 32.5% over the same period last year to 77,018 units. Among them, the sales volume of the BMW and Porsche brands increased by 47.5% and 24.2% 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 the first half of 2021, our sales revenue from new vehicles reached RMB33,978 million, representing a year-on-year increase of 44.1% compared with 2020. By strengthening the development of institutional bulk business of mid-to high-end brands, and maintaining rapid growth of key luxury brands, we achieved a steady increase in sales revenue from new vehicles. In the first half of 2021, the sales revenue from luxury brand new vehicles increased by 41.7% to RMB28,767 million, of which, sales revenue from new vehicles of the BMW and Porsche brands increased by 48.8% and 30.8% respectively over the same period of 2020.



Management Discussion & Analysis



In the first half of 2021, the gross profit margin of our new vehicle sales was 3.15%, representing a year-on-year increase of 0.51 percentage point compared with 2020. The gross profit margin of our new vehicles of luxury brands was 3.68%, representing a year-on-year increase of 0.67 percentage point compared with 2020. Among them, the gross profit margin of new vehicles of BMW brand was 2.56%, which was basically the same as 2020; the gross profit margin of new vehicles of Porsche brand was 8.71%, representing a year-on-year increase of 1.76 percentage points. We transformed the influence of shortage of some brand chips into the improvement of retail quality through price and key model management. Meanwhile, we promoted communication and cooperation with factories to maximize the acquisition of business policy support, and promote the continuous improvement of the comprehensive profitability per vehicle.



Management Discussion & Analysis

In the first half of 2021, the turnover day of our new vehicle was 23.0 days, a reduction of 13.4 days year-on-year compared to the first half of 2020, and a reduction of 2.0 days compared to the second half of 2020, of which the turnover day in the first quarter was 24.9 days, and the turnover day in the second quarter was 22.3 days. By strengthening the forecast analysis of the sales supply and demand plan, we have achieved continuous improvement in the inventory and forward resources and order matching, 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.



Management Discussion & Analysis



Steady Growth in After-sales Services

In the first half of 2021, the revenue of our after-sales service business, including repair and maintenance services and extended automotive products and services, achieved steady growth, reached a revenue of RMB5.518 billion, an increase of 39.3% (or 41.3% if adding back the gross profit of pre-owned vehicles dealership) over the same period in 2020. Our shop absorption rate reached 88.80% (or 91.70% if adding back the gross profit of pre-owned vehicles dealership), an increase of 13.07 percentage points over the same period last year. In the first half of 2021, the gross profit margin of our after-sales service was 45.46% (or 46.26% if adding back the gross profit of pre-owned vehicles dealership), which was basically the same as that in the same period of 2020.



Management Discussion & Analysis

As of the end of the first half of 2021, the number of our customers under management reached 1,033 thousand, an increase of 10.4% over the end of 2020. The number of customers under management continued to increase, which was not only benefit from rapid growth of local new vehicles retail sales, as well as continuous improvement of customer recruitment system and enhancement of customer retention, but also strengthening of the development and use of digital tools and further improvement of the solicitation effect of mechanical and electrical business. In the first half of 2021, the revenue of our mechanical and electrical business increased by 30.5% year-on-year.

In terms of business enhancement in accident car business, we have proactively communicated with insurance companies to seek more accident car information resources and more favorable compensation policies. Meanwhile, we actively carried out the full-staff marketing of accident car information, which has further improved the quantity and timeliness of accident information acquisition of customers under management. This series of measures have enabled our accident vehicle business revenue to maintain a continuous increase. In the first half of 2021, it increased by 45.1% over the same period in 2020.

In terms of inventory efficiency 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. As of the end of the first half of 2021, our inventory turnover day was 31.7 days, representing a decrease of 14.9 days compared with corresponding period of 2020.

In terms of after-sales skill improvement, we newly offered online repair skill training courses so that technicians could study by fully utilizing spare time frequently, which effectively improved the training results. Furthermore, we also actively cooperate with Porsche and other major luxury brand manufacturers and colleges and universities to cultivate talents for after-sales business and further perfect echelon training system for after-sales talents.

Further Improvement of Extended Businesses

In terms of decoration supplies business, we proactively introduce new products and services to satisfy the increasing unique needs of customers, and we carried out phased sales of decoration supplies and differentiated marketing to customers in different periods according to the needs of customers to purchase and use vehicles in different periods, so as to extend the customer's purchase cycle of decoration supplies, effectively enhanced the business scale and profitability. In the first half of 2021, the unit income of our decoration supplies increased 20.7% compared to the corresponding period of 2020.

In the first half of 2021, our revenue from finance and insurance agency services amounted to RMB620 million, representing a year-on-year increase of 27.0%. In terms of automobile finance business, the Group continued to optimize cooperative financial institutions, strengthened the management and realized the continuous improvement of commission rate. Meanwhile, we focused on the quantity and quality of financial business, increased the proportion of long-term product structure but decreased microfinance, and achieved a significant increase in the proportion of average financing scale.

Management Discussion & Analysis

In terms of insurance business, responding to the impact of the implemented comprehensive insurance reform, on the one hand, we proactively communicated with insurance companies to seek for more policy support. On the other hand, we committed to increase the insurance limits for third party insurance and scratch insurance, and increased the penetration rate of commercial insurance and non-auto insurance business. At the same time, we also carried out refined management for the renewal business to ensure simultaneous improvement of renewal penetration rate and quality. In the first half of 2021, the number of insured units and premium scale increased by 28.9% and 18.2% respectively compared to the same period in 2020, thus effectively guaranteeing the further improvement of after-sales accident car business.

The Scale and Profit of Pre-owned Vehicles Have Risen Sharply and Achieved Business Upgrading and Development

In the first half of 2021, our sales volume of pre-owned vehicles was 33,104 units, representing a year-on-year increase of 71.9%. Of which 4,399 units were distributed by us and recorded a revenue of RMB896.62 million, and 28,705 units were sold for which we acted as an agent and recorded the agency revenue generated from pre-owned vehicles of RMB92.34 million. The gross profit of pre-owned vehicles was RMB174.2 million, representing a year-on-year increase of 157.4%, including RMB81.86 million from distribution and RMB92.34 million from agency sales.

We have taken the initiative to respond to the national tax reduction policy for distribution of pre-owned vehicles and took the lead in comprehensively promoting the retail distribution business in the industry. Through three aspects of business upgrading, namely the wholesale mode to the retail mode, the agency mode to the distribution mode, and the traditional operation mode to the digital and omni-channel operation mode, we realized the continuous improvement in business scale, retail capacity and profitability.

We actively built a “2 + 1” new digital business model of pre-owned vehicles, and achieved the digital and omni-channel business layout with online and offline integration. “2” represents the dual offline retail channels. Our 4S stores have fully obtained the official original equipment manufacturer (OEM) certification and authorization qualification, supplemented and coordinated by 13 independent Yongda pre-owned vehicles retail chain outlets; “1” represents the official website of Yongda pre-owned vehicles, the capacity of resource sharing and clue management of which has been continuously enhancing, together with the third-party vertical media and We Media, an online marketing matrix was established. By rapidly increasing the proportion of pre-owned vehicle retail business, we promoted the growth of extended businesses including finance and insurance, and further improved the profitability and customer retention scale of pre-owned vehicles. In the first half of 2021, our average retail sales revenue per unit was RMB203,800, and gross profit margin was 9.13%, and the turnover days of inventory were stably controlled within 30 days. Many of our 4S stores of Porsche, BMW, Audi, Volvo, Jaguar Land Rover, Cadillac and other brands were in a national leading position in the factory’s official semi-annual evaluation in terms of retail scale and operation results.



Management Discussion & Analysis

We continued to strengthen the vehicles replacement and acquisition in 4S store channels, and achieved sustained and rapid quality growth, with the new-to-pre-owned ratio of 28.58%. We continuously strengthened the core competence construction of pre-owned vehicles, perfected the evaluation, inspection, pricing and disposal capabilities, established complete management requirements for the acquisition and disposal of pre-owned vehicles, implemented standardized business management and control, ensuring the compliance of business development and maximization of interests; we have strictly controlled the inventory turnover of pre-owned vehicles, and formulate refined inventory management and forced liquidation system for retail and wholesale vehicles respectively to ensure healthy inventory and operation.

Additionally, we continued to upgrade the ERP management system for pre-owned vehicles to achieve integrated and efficient management of pre-owned vehicles business in terms of operation and finance. We empowered 4S stores through establishing a professional independent operation team to promote pre-owned vehicles business growth at the store side. Constant construction of talent echelon and certification training system continuously provide high-quality management and technical talents for the development of pre-owned vehicles business.

Rapid Development of New Energy Vehicle Business

In the first half of 2021, we continued to strengthen the development of new energy vehicle service industry, and officially established the preparatory team for the development of new energy vehicle service industry in May.

In the first half of 2021, our sales volume of new energy vehicles reached 7,436 units, representing a year-on-year increase of 152.7%, accounting for 6.4% of the total new vehicle sales volume, including 50.6% of pure electric models, 49.2% of plug-in hybrid models, and 986 units of Made-in-China new energy pure electric vehicles.

We formulated the Confirmation Form for Safety Inspection Items of Pure Electric Vehicles for pure electric new energy vehicles, which defined the solicitation cycle and inspection items for implementation. While improving the safety of customers' vehicles, we increased the back-to-factory frequency of pure electric new energy vehicles. Our new energy after-sales segment has achieved considerable growth, in which the maintenance turnover and maintenance units of new power brand have increased by 1,049.4% and 803.1% respectively as compared to the corresponding period, and the unit maintenance output has also increased by 27.3% as compared to the corresponding period.

We vigorously carried out the sales and service business of new energy models of traditional automobile brands such as BMW, Porsche, Audi, Mercedes-Benz, Volvo and General Motors, and actively cooperated with and promoted the transformation of relevant traditional brands in new energy and new retail business.

Management Discussion & Analysis

We further accelerated business cooperation with domestic and international new power new energy vehicle brands. In terms of new authorization, Tesla Mianyang Authorized Sheet Metal Painting After-sales Center, Shenzhen BYD New Energy 4S Store and Ford New Energy Shanghai Pudong City Store were successfully put into operation; many projects to be opened such as Lishui Xiaopeng Supermarket Experience Store and Delivery Service Center Project and SAIC Zhiji North Bund City Showroom Project are progressing smoothly and about to put into operation. In addition to the above delivered and authorized projects, we continued to maintain active communication with new energy vehicle brands such as Great Wall, Tesla, Xiaopeng, NIO, Li Auto, SMART, SAIC Zhiji and Leapmotor, and follow up the cooperation plan of authorized outlets. Among them, we entered into a strategic cooperation framework agreement with Great Wall Motors in May 2021. We will exert our own advantages to carry out all-round strategic cooperation for Great Wall Motors' brands focusing on new energy market expansion, new retail model exploration, user service and other automobile related businesses, so as to provide users with better and smarter automobile life services. In the selection of new authorized outlets of new energy brands, we give priority to layout and attempt supermarket showrooms and various new retail modes, so as to explore the automobile sales service business under the asset-light mode.

Continuous Optimization and Improvement of Network

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. In the first half of 2021, one of our Porsche 4S stores in Kunshan, Jiangsu was put into operation. In addition, we proactively planned to cooperate with outlets of mainstream new energy brands, took initiative to explore and attempt a new asset-light cooperation mode, and constantly study brand new scenarios of new energy after-sales service business. In the first half of 2021, one Tesla maintenance center, one Ford new energy showroom and one BYD new energy showroom were put into operation.

In terms of new authorization, we obtained 17 brand authorizations in the first half of the year, including one luxury vehicle 4S store, two luxury vehicle showrooms, three new energy 4S stores, eight new energy showrooms and three new energy maintenance centers.

In terms of merger and acquisition, we have always considered it as alternative main channel for network expansion. 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. At present, we are negotiating for several proposed acquisition projects.

We actively promoted the evaluation and disposal of existing outlets. Based on the evaluation results of comprehensive asset evaluation system, we took the initiative to close 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.



Management Discussion & Analysis

As of June 30, 2021, our total number of outlets that were opened amounted to 221. Such outlets spread across 4 municipalities and 19 provinces in China, including 207 opened manufacturer authorized outlets, 14 opened non-manufacturer authorized outlets. Set out below are the details of our outlets as at June 30, 2021:

	June 30, 2021	Authorized outlets to be opened
4S dealerships of luxury and ultra-luxury brands	130	1
4S dealerships of mid- to high-end brands	47	0
4S dealerships of new energy brands	4	2
City showrooms of luxury brands	17	2
City showrooms of new energy brands	3	7
Authorized maintenance centers of luxury brands	3	0
Authorized maintenance centers of new energy brands	3	2
Subtotal of outlets authorized by the manufacturers	207	14
Comprehensive showrooms of passenger vehicles	1	0
Yongda Pre-owned Vehicle Malls	13	0
Subtotal of non-manufacturer authorized outlets	14	0
Total outlets	221	14

Management Discussion & Analysis

Heilongjiang (3) ☆ BMW (1) ☆ Ford (1) ☆ Jaguar/Land Rover (1)	Beijing (1) ☆ BMW (1)
Tianjin (2) ☆ BMW (1) ☆ Mini (1)	Hebei (3) ☆ BMW (3)
Shanxi (8) ☆ BMW (5) ☆ Mini (1) ☆ Comprehensive Showroom of Pre-owned Vehicle (2)	Shaanxi (1) ☆ Porsche (1)
Henan (1) ☆ Jaguar/Land Rover (1)	Shandong (9) ☆ BMW (5) ☆ Mini (2) ☆ Porsche (1) ☆ Comprehensive Showroom of Pre-owned Vehicle (1)
Anhui (6) ☆ Porsche (2) ☆ Jaguar/Land Rover (1) ☆ Volvo (1) ☆ Tesla (1) ☆ Comprehensive Showroom of Pre-owned Vehicle (1)	Jiangsu (61) ☆ BMW (16) ☆ Mini (3) ☆ Audi (3) ☆ Infiniti (2) ☆ Porsche (5) ☆ Jaguar/Land Rover (4) ☆ Cadillac (2) ☆ Volvo (2) ☆ Lincoln (2) ☆ Aston Martin (2) ☆ Buick (6) ☆ Shanghai-Volkswagen (1) ☆ Chevrolet (2) ☆ GAC-Honda (2) ☆ GAC-Toyota (1) ☆ FAW-Toyota (2) ☆ Dongfeng-Hongda (1) ☆ Mazda (1) ☆ Roewe (1) ▲ ORA (1) ☆ Comprehensive Showroom of Pre-owned Vehicle (2) ▲ Cadillac (1)
Hubei (2) ☆ Porsche (1) ☆ WM Motor (1)	Shanghai (71) ☆ 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) ☆ Aston Martin (1) ☆ WM Motor (1) ☆ Ford Mustang (1) ☆ Customized Vehicle (1) ☆ Mercedes-Benz (1) ☆ Comprehensive Showroom (1) ☆ Xiaopeng (2) ☆ Porsche (1) ☆ Lexus (1) ☆ Comprehensive Showroom of Pre-owned Vehicle (4) ▲ Cadillac (1) ▲ Audi (1) ▲ SAIC ID (1) ▲ SAIC Zhiji (1) ▲ Dongfeng-Voyah (1) ▲ Ford Mustang (2) ▲ Leapmotor (1) ▲ ORA (1)
Zhejiang (21) ☆ BMW (6) ☆ Audi (2) ☆ Buick (1) ☆ Jaguar/Land Rover (1) ☆ Cadillac (1) ☆ Volvo (1) ☆ Lincoln (2) ☆ Xiaopeng (1) ☆ Shanghai-Volkswagen (1) ☆ Lexus (1) ☆ Comprehensive Showroom of Pre-owned Vehicle (2) ▲ Audi (1) ▲ Xiaopeng (1)	Guangdong (12) ☆ BMW (3) ☆ Cadillac (1) ☆ Volvo (4) ☆ Lynkco (2) ☆ BYD (1) ▲ BYD (1)
Fujian (9) ☆ Audi (1) ☆ Porsche (3) ☆ Jaguar/Land Rover (1) ☆ Buick (2) ☆ Shanghai-Volkswagen (1) ☆ Chevrolet (1)	Guangxi (1) ☆ BMW (1)
Hunan (3) ☆ BMW (2) ☆ Volvo (1)	Jiangxi (4) ☆ Cadillac (1) ☆ Porsche (1) ☆ Mercedes-Benz (1) ☆ Tesla Spray Center (1)
Sichuan (7) ☆ Porsche (2) ☆ Jaguar/Land Rover (1) ☆ BMW (2) ☆ Tesla (1) ☆ Comprehensive Showroom of Pre-owned Vehicle (1)	Hainan (2) ☆ Porsche (2)
Yunnan (4) ☆ BMW (4)	Guizhou (1) ☆ Lexus (1)
Chongqing (3) ☆ Mercedes-Benz (1) ☆ Hyundai (2)	

☆ Outlets opened

▲ Outlets authorized but to be opened





Management Discussion & Analysis

Continuous Improvement in Management

In the first half of 2021, we continued to pay attention to the improvement in operational efficiency of the main business of automobile sales services. In terms of sales, through the optimization of smart retail digital tools and processes, continuous improvement in the acquisition and conversion of non-showroom sales leads, and combined with sales forecasting and order gradient management, we have achieved continuous optimization of inventory structure and turnover. In terms of after-sales service, through the customer retention and management system, we focused on the marketing and clue acquisition of retained customers, and achieved a better year-on-year increase in the output value and revenue from retained customers in the first half of the year. In terms of spare parts inventory turnover days, we have also achieved a significant reduction over the same period. The overall inventory turnover efficiency of the Company has been continuously improved compared to the end of 2020. Meanwhile, the Company continued to promote the shutdown and transfer of certain outlets that was long-term inefficient and unprofitable, and was inconsistent with the Company's long-term business strategy, in order to help the Company's overall asset return on investment to maintain a sustainable increase in the future.

In terms of maintaining continuous improvement in operation and management, we continued to improve the operation and management system based on the digital system. At present, we have realized the comprehensive connection from the business documents to the final financial information system for all companies within the Group. Through the construction of the digital BI system, the indicators and benchmarking management system has been continuously improved. Through the setting of the growth model and business benchmarking, we have continuously tapped the growth potential of the Company. Meanwhile, through the well-established business and finance system, we have realized the refined management and data analysis of all business processes, and formed a closed-loop management system from problems discovery to continuous improvements.

In terms of customer operation and 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 the first half of 2021, we continued to promote the digital construction of the customer operations of the Group, realized the comprehensive connection and match between the CDP customer information smart platform and the financial system, initially completed the establishment of the data pool of the customers, vehicles and outlets, laid a solid foundation for further improving customer operations and management. Besides, the Company keeps connection and maintenance with customers through flexible and diverse digital channels, and comprehensively promotes online customer connection and services to ensure the security of customer information and the improvement of customer service experience.

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. In 2021, we will continue to realize the transformation of the Company's business management from informatization to digitization through digital construction. We will continuously improve the efficiency of operation and management internally, and continuously improve the user service experience externally, and strive to build the future of digital intelligence Yongda.

Management Discussion & Analysis

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.

FINANCIAL REVIEW

Continuing operations

Revenue

Revenue was RMB40,505.6 million for the six months ended June 30, 2021, a 45.9% increase from RMB27,761.1 million for the six months ended June 30, 2020, which was primarily due to the growth of sales of passenger vehicles and after-sales services. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	For the first half of 2021			For the first half of 2020		
	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)
New vehicle sales						
Luxury and ultra-luxury brands	28,766,618	77,018	374	20,298,480	58,134	349
Mid- to high-end brands	5,210,912	38,816	134	3,282,411	23,840	138
Subtotal	33,977,530	115,834	293	23,580,891	81,974	288
Pre-owned vehicles distribution	896,621	4,399	204	-	-	-
After-sales services	5,517,533	-	-	3,961,560	-	-
Automobile rental services	249,026	-	-	248,861	-	-
Proprietary finance business	-	-	-	30,685	-	-
Less: inter-segment eliminations	(135,131)	-	-	(60,892)	-	-
Total	40,505,579	-	-	27,761,105	-	-



Management Discussion & Analysis

The sales volume of new vehicles of the passenger vehicle sales and services segment was 115,834 units for the six months ended June 30, 2021, a 41.3% increase from 81,974 units for the six months ended June 30, 2020.

Of which, the sales volume of luxury and ultra-luxury brand new vehicles was 77,018 units for the six months ended June 30, 2021, a 32.5% increase from 58,134 units for the six months ended June 30, 2020.

Revenue from the sales of new vehicles of the passenger vehicle sales and services segment was RMB33,977.5 million for the six months ended June 30, 2021, a 44.1% increase from RMB23,580.9 million for the six months ended June 30, 2020.

Of which, revenue from the sales of luxury and ultra-luxury brand new vehicles was RMB28,766.6 million for the six months ended June 30, 2021, a 41.7% increase from RMB20,298.5 million for the six months ended June 30, 2020.

The distribution volume of pre-owned vehicles was 4,399 units for the six months ended June 30, 2021 (same period in 2020: nil).

Revenue from distribution of pre-owned vehicles was RMB896.6 million for the six months ended June 30, 2021 (same period in 2020: nil).

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB5,517.5 million for the six months ended June 30, 2021, a 39.3% increase from RMB3,961.6 million for the six months ended June 30, 2020.

Revenue from the automobile rental services segment was RMB249.0 million for the six months ended June 30, 2021, a 0.1% increase from RMB248.9 million for the six months ended June 30, 2020.

Cost of Sales and Services

Cost of sales and services was RMB36,794.7 million for the six months ended June 30, 2021, a 45.8% increase from RMB25,233.1 million for the six months ended June 30, 2020.

Cost of sales for sales of new vehicles of the passenger vehicle sales and services segment was RMB32,906.3 million for the six months ended June 30, 2021, a 43.3% increase from RMB22,959.1 million for the six months ended June 30, 2020.

The distribution costs of pre-owned vehicles was RMB814.8 million for the six months ended June 30, 2021 (same period in 2020: nil).

Cost of after-sales services for the passenger vehicle sales and services segment was RMB3,009.3 million for the six months ended June 30, 2021, a 40.8% increase from RMB2,137.2 million for the six months ended June 30, 2020.

Cost of services for the automobile rental services segment was RMB194.2 million for the six months ended June 30, 2021, a 2.7% increase from RMB189.1 million for the six months ended June 30, 2020.

Management Discussion & Analysis

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB3,710.8 million for the six months ended June 30, 2021, a 46.8% increase from RMB2,528.0 million for the six months ended June 30, 2020.

Gross profit margin was 9.16% for the six months ended June 30, 2021, an increase of 0.05 percentage point from the gross profit margin of 9.11% for the six months ended June 30, 2020.

Gross profit from the sales of new vehicles of the passenger vehicle sales and services segment was RMB1,071.2 million for the six months ended June 30, 2021, a 72.3% increase from RMB621.8 million for the six months ended June 30, 2020.

Gross profit margin for the sales of new vehicles increased to 3.15% for the six months ended June 30, 2021 from 2.64% for the six months ended June 30, 2020.

The gross profit from distribution of pre-owned vehicles was RMB81.9 million for the six months ended June 30, 2021 (same period in 2020: nil).

The gross profit margin from distribution of pre-owned vehicles was 9.13% for the six months ended June 30, 2021 (same period in 2020: nil).

Gross profit for after-sales services from the passenger vehicle sales and services segment was RMB2,508.2 million for the six months ended June 30, 2021, a 37.5% increase from RMB1,824.4 million for the six months ended June 30, 2020.

Gross profit margin for after-sales services was 45.46% for the six months ended June 30, 2021, which was generally in line with that of 46.05% for the six months ended June 30, 2020.

Gross profit from the automobile rental services segment was RMB54.8 million for the six months ended June 30, 2021, a 8.3% decrease from RMB59.7 million for the six months ended June 30, 2020.

Gross profit margin for the automobile rental services segment was 22.00% for the six months ended June 30, 2021, a decrease from 24.00% for the six months ended June 30, 2020.



Management Discussion & Analysis

Other Income and Other Gains and Losses

Other income and other gains and losses was net gains of RMB668.3 million for the six months ended June 30, 2021, a 27.3% increase from net gains of RMB524.9 million for the six months ended June 30, 2020.

Of which revenue from the finance and insurance related post-market agency services of the passenger vehicle sales and services segment was RMB620.0 million for the six months ended June 30, 2021, a 27.0% increase from RMB488.0 million for the six months ended June 30, 2020.

Distribution and Selling Expenses and Administrative Expenses

Distribution and selling expenses and administrative expenses was RMB2,545.5 million for the six months ended June 30, 2021, a 25.2% increase from RMB2,033.5 million for the six months ended June 30, 2020.

The percentage of the distribution and selling expenses and administrative expenses for the six months ended June 30, 2021 was 6.28%, a decrease of 1.05 percentage points from 7.33% for the six months ended June 30, 2020.

Operating Profit

As a result of the foregoing, operating profit was RMB1,833.7 million for the six months ended June 30, 2021, a 79.9% increase from RMB1,019.5 million for the six months ended June 30, 2020.

Finance Costs

Finance costs were RMB279.2 million for the six months ended June 30, 2021, a 25.7% decrease from RMB375.5 million for the six months ended June 30, 2020.

The percentage of the finance costs for the six months ended June 30, 2021 decreased to 0.69% from 1.35% for the six months ended June 30, 2020.

Management Discussion & Analysis

Profit before Tax

As a result of the foregoing, profit before tax was RMB1,593.8 million for the six months ended June 30, 2021, a 138.4% increase from RMB668.5 million for the six months ended June 30, 2020.

Income Tax Expenses

Income tax expenses were RMB393.3 million for the six months ended June 30, 2021, a 141.8% increase from RMB162.7 million for the six months ended June 30, 2020. Our effective income tax rate was 24.7% for the six months ended June 30, 2021, an increase from 24.3% for the six months ended June 30, 2020.

Profit from Continuing Operations

As a result of the foregoing, the profit from continuing operations was RMB1,200.5 million for the six months ended June 30, 2021, a 137.3% increase from RMB505.8 million for the six months ended June 30, 2020.

Profit from Discontinued Operations

On June 29, 2021, the Group entered into a series of equity transfer agreements to directly or indirectly dispose its 80% equity interest in Yongda Finance Leasing. Thus, the revenue, costs, expenses and profits of Yongda Finance Leasing for the six months ended June 30, 2021 and corresponding period of 2020 have been included in the profit from discontinued operations. The profit from discontinued operations was RMB46.4 million for the six months ended June 30, 2021, a 29.6% decrease from RMB65.9 million for the six months ended June 30, 2020.

Profit

As a result of the foregoing, the profit was RMB1,246.8 million for the six months ended June 30, 2021, a 118.1% increase from RMB571.7 million for the six months ended June 30, 2020.

Profit Attributable to the Owners of the Company

As a result of the foregoing, the profit attributable to the owners of the Company was RMB1,171.5 million for the six months ended June 30, 2021, a 121.1% increase from RMB530.0 million for the six months ended June 30, 2020.



Management Discussion & Analysis

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

For the six months ended June 30, 2021, our net cash from operating activities was RMB3,827.3 million, of which the net cash generated from operating activities of automobile sales and services business was RMB3,299.0 million, and the net cash generated from operating activities of proprietary finance business was RMB528.3 million. For the six months ended June 30, 2020, our net cash from operating activities was RMB2,780.6 million, of which the net cash generated from operating activities of automobile sales and services business was RMB2,184.5 million, and the net cash generated from operating activities of proprietary finance business was RMB596.2 million.

Compared to the six months ended June 30, 2020, mainly due to the increase of profit for the six months ended June 30, 2021 compared to the corresponding period of last year and the improvement of turnover ratio of inventories, our net cash generated from operating activities increased by RMB1,046.7 million.

For the six months ended June 30, 2021, our net cash generated from investment activities was RMB103.6 million, which mainly included the proceeds from the disposal of property, plant and equipment and land use rights and intangible assets of RMB252.2 million, and withdrawal of time deposits of RMB357.6 million, which was partially offset by the amounts for purchase of fixed assets, land use rights and intangible assets of RMB565.1 million. For the six months ended June 30, 2020, our net cash used in investing activities was RMB268.7 million.

For the six months ended June 30, 2021, our net cash used in financing activities was RMB3,096.2 million, which mainly included the net repayment of loans and super short-term commercial papers of RMB1,885.3 million, the payment of dividend of RMB664.9 million, the payment of interest of RMB286.2 million and repayment of lease liabilities of RMB132.4 million. For the six months ended June 30, 2020, our net cash used in financing activities was RMB834.0 million.

Management Discussion & Analysis

Inventories

Our inventories mainly include new vehicles, pre-owned vehicles, spare parts and accessories.

Our inventories were RMB4,592.2 million as of June 30, 2021, a 5.4% decrease from RMB4,855.8 million as of December 31, 2020. The following table sets forth our average inventory turnover days for the periods indicated:

	For the six months ended June 30,	
	2021	2020
Average inventory turnover days	23.4	37.0

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights and intangible assets as well as acquisition of subsidiaries, which was partially offset by the proceeds from the disposal of property, plant and equipment. For the six months ended June 30, 2021, our total capital expenditures were RMB386.1 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	For the six months ended June 30, 2021 (in RMB millions)
Expenditures on purchase of property, plant and equipment	
– test-drive automobiles and vehicles for operating lease purposes	377.8
Expenditures on purchase of property, plant and equipment	
– primarily used for establishing new automobile sales and service outlets	161.5
Expenditures on purchase of intangible assets	25.8
Expenditures on acquisition of subsidiaries	73.2
Proceeds from the disposal of property, plant and equipment (mainly test-drive automobiles and vehicles for operating lease purposes)	(252.2)
Total	386.1



Management Discussion & Analysis

Borrowings and Bonds

We obtained borrowings (consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers) and issued bonds to fund our working capital and network expansion. As of June 30, 2021, the outstanding amount of our borrowings and bonds amounted to RMB6,821.1 million, a 32.6% decrease from RMB10,121.9 million as of December 31, 2020. The following table sets forth the maturity profile of our borrowings and bonds as of June 30, 2021:

	As of June 30, 2021 (in RMB millions)
Within one year	5,640.8
One to two years	433.6
Two to five years	602.7
More than five years	144.0
Total	6,821.1

As of June 30, 2021, our net gearing ratio (being net liabilities divided by total equity) was 23.2% (as of December 31, 2020: 54.1%). Net liabilities represent borrowings, super short-term commercial papers and medium-term notes minus cash and cash equivalents and time deposits.

Mortgage and Charge on Assets

As of June 30, 2021, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2021 consisted of (i) inventories of RMB1,295.8 million; (ii) property, plant and equipment of RMB87.3 million; (iii) land use rights of RMB164.4 million; and (iv) equity interests of the subsidiaries of RMB400.0 million.

Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities.

Reference is made to the announcement published by the Company on June 29, 2021 (the “Announcement”) where it disclosed that the Company made direct or indirect disposal of 80% equity interest in Yongda Finance Leasing (the “Disposal”) and would continue to provide guarantees in favour of certain banks in the PRC to secure Yongda Finance Leasing’s obligations under the credit agreements with those banks. Upon completion of the Disposal, the aforesaid guarantees may constitute contingent liabilities of the Group. Unless otherwise defined in this section, capitalized terms shall have the same meanings as defined in the Announcement.

Management Discussion & Analysis

As mentioned in the Announcement, the Disposal involves the indirect transfer of the 47% equity interest in Yongda Finance Leasing through the transfer of its 100% equity interest in Rui Se Qi Information by Yongda Information to Binyan Partnership. Rui Se Qi Information is a special purpose vehicle (SPV) established solely for the purpose of the transfer of the equity interest in Yongda Finance Leasing to Binyan Partnership. As at the date of the Announcement, Yongda Information has not transferred its 47% equity interest in Yongda Finance Leasing to Rui Se Qi Information. Thus, as a SPV, Rui Se Qi Information itself does not have any asset, nor does it have any net profits attributable to the assets which are the subject of the transaction. The transfer of 100% equity interest of Rui Se Qi Information to Binyan Partnership does not intend to constitute a disposal on a stand-alone basis, but for the sole purpose of disposal of the only underlying assets of Rui Se Qi Information, being its 47% equity interest in Yongda Finance Leasing, which is to be acquired on or before completion of Disposal.

Apart from the information regarding guarantees set forth in the Announcement, further information on the terms of guarantees are hereby provided: for the credit provided by DBS Bank, the credit term is from September 30, 2017 to December 31, 2021 and the latest maturity date for the last principal debt will be December 31, 2022; for the credit provided by Minsheng Bank, the credit term is from October 30, 2020 to October 29, 2021 and the latest maturity date for the last principal debt will be April 26, 2022; and for the credit provided by Standard Chartered Bank, the credit term is from May 16, 2018 to May 15, 2023 and the latest maturity date for the last principal debt will be May 14, 2026.

Despite of the credit periods and the latest maturity dates mentioned in the Announcement and above, with regard to the credit and guarantee agreements that have been signed as of the date of the Announcement, Yongda Finance Leasing has undertaken to the Company that the amount already drawn by Yongda Finance Leasing, or the amount newly drawn within the credit and guarantee period according to the signed credit and guarantee agreements (including the credit provided by Standard Chartered Bank), will mature in 2022 at the latest. Thus, all the outstanding loans will be repaid by Yongda Finance Leasing by the end of 2022, and if such loans cannot be repaid by the end of 2022, the Company will comply with Chapter 14A of the Listing Rules for the renewal.

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 the London Inter-bank Offered Rate (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 June 30, 2021, 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

Reference is made to the announcements dated June 10, 2020 and June 23, 2020 in relation to the placing of existing shares and top-up subscription of new shares under the general mandate (the "Placing"), the completion of which took place on June 23, 2020.

As of June 30, 2021, the total net proceeds of approximately HK\$983 million received from the Placing has all been utilized and the use or intended use of those proceeds was in line with the planned use as disclosed in the announcement dated June 10, 2020 and there was no significant change or delay.

Management Discussion & Analysis



FUTURE OUTLOOK AND STRATEGIES

Automobile consumption market in the PRC is undergoing a period of upgrading, transformation and change. It is expected that in the future, driven by consumption upgrading and rigid demand for new purchases and upgrading purchases, the consumption market of luxury passenger vehicles will maintain steady growth and the proportion of market share of luxury automobiles will further increase. The pre-owned vehicles business will also enter a rapid growth period. The ownership proportion of luxury passenger vehicle will also continue to increase, and will bring more development opportunities to the automotive aftermarket businesses, such as vehicle maintenance. Meanwhile, as the electrical and intelligent development in automobile industry is speeding up, 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. 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.

Relying on the natural advantages of the agency group to carry out the pre-owned vehicle business, we will vigorously expand the business scale of the pre-owned vehicle, improve the profit quality. We implemented the dual-channel strategy of 4S shop network and the pre-owned vehicle chain mall, actively changed from the brokerage model to the distribution model, so as 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 accelerate the layout of new energy automotive service industries, and conduct active cooperation with new leading brands of new energy vehicles manufactures, domestic leading independent brands and international traditional luxury brands in regarding of new energy car sales service. Relying on the resource advantages of manpower, facilities, customer base, marketing channels, etc., we will rapidly expand the network layout, and actively participate in the operation of new models such as the supermarket model, the delivery commission model, the authorized maintenance and the centralized sheet spray center. While rapidly increasing the business scale, the Company will explore 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.

The background of the page features a blue-tinted image of a city skyline with various skyscrapers. In the bottom left corner, a portion of a car's wheel is visible. The overall aesthetic is clean and professional, with a light blue color scheme.

Management Discussion & Analysis

In the first half of 2021, the Company has conducted restructuring and divestiture of its business in Yongda Finance Leasing. In the future, we will focus on two major goals including maintaining the rapid growth of the main business of automotive service and actively deploying the new energy automotive service industry, striving to develop the pre-owned vehicles business as a new growth engine for the main business of automobile service. We will focus on the improvement of operation management and strengthen the local retail and inventory turnover management of new cars, so as to improve the efficiency of asset operations. We will focus on the growth of after-sales service output and the continuous improvement of service absorption rate, and we will do a solid job in maintaining customer retention and service. Combining with the development of online platforms, we will focus on promoting customer loyalty programs and enhancing customer value management; we will combine offline scenarios to accelerate the construction of more online new media contacts and marketing channels, and focus on improving the digital capabilities of customer operations. We will optimize the assessment management and incentive mechanism of the Company; we will strengthen the team building and future talent reserves in the field of new energy and pre-owned vehicles. We will maintain the company's cash flow and asset-liability ratio healthy and stable. We will strengthen the risk control construction, actively practice corporate social responsibility, and enhance the Company's brand image. While realizing the higher-quality operation and management of the Company and high-quality of shareholder returns, we will complete new layouts, build new business formats, and build long-term sustainable growth capabilities.

Corporate Governance and Other Information



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

As at June 30, 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(A) Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On ⁽¹⁾	Founder of a discretionary trust	401,409,500	20.315
	Interest of controlled corporation	182,080,000	9.215
	Beneficial owner	9,303,000	0.471
Mr. CAI Yingjie ⁽²⁾	Interest of controlled corporation	60,788,000	3.076
	Beneficial owner	674,500	0.034
Mr. WANG Zhigao ⁽³⁾	Interest of controlled corporation	18,660,000	0.944
	Beneficial owner	910,500	0.046
Mr. XU Yue	Beneficial owner	5,108,000	0.259
Ms. CHEN Yi	Beneficial owner	437,000	0.022

Corporate Governance and Other Information

Notes:

- (1) (i) Mr. CHEUNG Tak On is the settlor and protector of a discretionary trust of which HSBC International Trustee Limited acts as its trustee and the beneficiaries of which are Mr. CHEUNG Tak On and certain of his family members (the "Family Trust"). Palace Wonder Company Limited (栢麗萬得有限公司) ("Palace Wonder") is wholly-owned by Regency Valley Company Limited (麗晶萬利有限公司) ("Regency Valley"), which is in turn wholly-owned by HSBC International Trustee Limited, as the trustee of the Family Trust. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 401,409,500 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 182,080,000 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 60,788,000 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 18,660,000 shares held by Golden Rock. Mr. WANG Zhigao 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	Percentage 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	0.040

Save as disclosed above, as at June 30, 2021, 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 as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.



Corporate Governance and Other Information

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

As at June 30, 2021, to the best of knowledge of the Company and the Directors, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Interests in the shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Palace Wonder ⁽¹⁾	Beneficial owner	401,409,500 (long position)	20.315
Regency Valley ⁽¹⁾	Interest of controlled corporation	401,409,500 (long position)	20.315
HSBC International Trustee Limited ⁽¹⁾	Trustee	401,409,500 (long position)	20.315
Asset Link ⁽²⁾	Beneficial owner	182,080,000 (long position)	9.215

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 beneficiaries 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 401,409,500 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 182,080,000 shares held by Asset Link.

Save as disclosed above, as at June 30, 2021, the Directors and chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above or otherwise disclosed in this interim report, at no time during the reporting period and up to the date of this interim report was the Company or any of its subsidiaries, a party to any arrangement that would enable the Company's 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 Company's 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.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at June 30, 2021, the Group had 16,367 employees (including employees from every region of the Group). The remuneration of the Group's employees includes salaries and allowances. The Group also 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 Company's shareholders at general meeting to fix the Directors' remuneration. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

SHARE OPTION SCHEME

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

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



Corporate Governance and Other Information

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

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

Details of movements in the options granted under the Share Option Scheme during the six months ended June 30, 2021 are as follows:

Category/ name of grantee	As at January 1, 2021	Number of Share Options					As at June 30, 2021	Date of grant of share options	Exercise period of share options	Exercise price of share options <i>HK\$ per share</i>	Price of the	Weighted average closing price		
		Granted during the period	Forfeited during the period	Exercised during the period	Lapsed during the period	Expired during the period					Company's shares Immediately before the grant date of options <i>HK\$ per share</i>	of the Company's shares Immediately before the exercise date <i>HK\$ per share</i>	At exercise date of options <i>HK\$ per share</i>	
<i>Executive Directors</i>														
XU Yue	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	-	-	
<i>Other Employees in aggregate</i>														
	5,120,500	-	-	1,077,000	-	-	4,043,500	June 19, 2017	June 19, 2017 to June 19, 2022	8.140	8.020	13.736	14.448	
	8,200,000	-	-	-	-	-	8,200,000	December 4, 2020	December 4, 2020, to December 3, 2025	13.920	13.700	-	-	

Corporate Governance and Other Information

AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

Our employee pre-IPO incentive scheme (the “Employee Pre-IPO Incentive Scheme”), the details of which are set out in the paragraph headed “Employee Pre-IPO Incentive Scheme” in Appendix IV to 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 HSBC Trustee (Hong Kong) Limited (“HSBC HK Trustee”) via special purpose vehicle under the Employee Pre-IPO Incentive Scheme (the “Scheme Shares”) will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme. Under the Pre-IPO Employee Incentive Scheme, the total number of shares underlying the restricted shares to be granted from time to time must not be, in any event, exceed 5% of the number of the shares in issue on such date without the Board’s prior approval.

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

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

During the six months ended June 30, 2021, awards of approximately 1,460,000 restricted shares have been granted to eligible persons pursuant to the terms of the Amended Scheme.



Corporate Governance and Other Information

MATERIAL ACQUISITIONS AND DISPOSALS

As the first step of disposal of the Group's equity interest in Yongda Finance Leasing, on 29 June 2021, by execution of a series of equity transfer agreements, the Group made direct or indirect disposal of 80% equity interest in Yongda Finance Leasing (the "Disposal"). Before the Disposal, the Group held 100% equity interest in Yongda Finance Leasing through its wholly-owned subsidiaries Shanghai Yongda Information Technology Group Co., Ltd. (上海永達信息技術集團有限公司) and Shanghai Yongda Investment Holdings Group Co., Ltd. (上海永達投資控股集團有限公司) ("Yongda Investment"). Upon the completion of the Disposal, the shareholding structure in Yongda Finance Leasing is as follows: (1) the Company holds 20% equity interest in Yongda Finance Leasing through Yongda Investment; (2) Shanghai Binyan Enterprise Management Center (Limited Partnership) (上海濱岩企業管理中心(有限合夥)) indirectly holds 47% equity interest in Yongda Finance Leasing through its 100% shareholding in Shanghai Rui Se Qi Information Technology Co., Ltd. (上海芮瑟奇信息技術有限公司); (3) Shanghai Binxin Enterprise Management Center (Limited Partnership) (上海濱信企業管理中心(有限合夥)) directly holds 5% equity interest in Yongda Finance Leasing; and (4) Shanghai Yongda Group Company Limited (上海永達(集團)股份有限公司) directly holds 28% equity interest in Yongda Finance Leasing. Upon the completion of the Disposal, Yongda Finance Leasing will cease to be a subsidiary of the Company.

The Disposal mentioned above is subject to certain conditions precedents including without limited to the approval from relevant authorities. Upon the completion of the above Disposal of 80% equity interest in Yongda Finance Leasing, the Company will identify opportunities to further dispose of the remaining 20% equity interest in Yongda Finance Leasing until that Yongda Finance Leasing is completely excluded from the Group. In the event of any further disposal, the Company will comply with the reporting and applicable announcement requirements under the Listing Rules where applicable.

Save as disclosed above and note 23 to the condensed consolidated financial statements, the Company did not have any other material acquisitions or disposals in relation to subsidiaries, associates and joint ventures during the reporting period.

SIGNIFICANT INVESTMENTS

During the reporting period, the Company did not hold any significant investments.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

CHANGES IN DIRECTORATE AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. No changes to the senior management during the six months ended June 30, 2021.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules and has complied with the code provisions of the CG Code during the six months ended June 30, 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules regarding Directors’ securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2021.

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

AUDIT AND COMPLIANCE COMMITTEE

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

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2021. The Audit and Compliance Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

In addition, the Company’s independent auditor, Deloitte Touche Tohmatsu, has performed an independent review of the Group’s interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2021 (for the six months ended June 30, 2020: nil) to the shareholders of the Company.

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

Hong Kong, August 24, 2021



Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 43 to 88, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 24, 2021

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021

	NOTES	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Continuing operations			
Revenue			
Goods and services	3A	40,261,782	27,488,472
Rental		243,797	243,043
Interests		–	29,590
Total revenue	3B	40,505,579	27,761,105
Cost of sales and services		(36,794,743)	(25,233,057)
Gross profit		3,710,836	2,528,048
Other income and other gains and losses	4	668,297	524,916
Distribution and selling expenses		(1,636,665)	(1,322,113)
Administrative expenses		(908,800)	(711,395)
Profit from operations		1,833,668	1,019,456
Share of profits (losses) of joint ventures		1,946	(3,325)
Share of profits of associates		37,348	27,867
Finance costs	5	(279,165)	(375,532)
Profit before tax	6	1,593,797	668,466
Income tax expense	7	(393,339)	(162,659)
Profit for the period from continuing operations		1,200,458	505,807
Discontinued operations			
Profit for the period from discontinued operations	22	46,390	65,909
Profit for the period		1,246,848	571,716

(continued)

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021



	NOTE	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Profit for the period attributable to the owners of the Company			
– from continuing operations		1,125,119	464,056
– from discontinued operations		46,390	65,909
		1,171,509	529,965
Profit for the period attributable to the non-controlling interests			
– from continuing operations		75,339	41,751
		1,246,848	571,716
EARNINGS PER SHARE			
From continuing and discontinued operations			
– basic	9	RMB0.59	RMB0.29
– diluted	9	RMB0.59	RMB0.29
From continuing operations			
– basic	9	RMB0.57	RMB0.25
– diluted	9	RMB0.57	RMB0.25

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Profit for the period	1,246,848	571,716
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	2,593	4,228
Total comprehensive income for the period	1,249,441	575,944
Total comprehensive income for the period attributable to:		
Owners of the Company	1,174,102	534,193
Non-controlling interests	75,339	41,751
	1,249,441	575,944
Total comprehensive income for the period attributable to the owners of the Company		
– from continuing operations	1,127,712	468,284
– from discontinued operations	46,390	65,909
	1,174,102	534,193
Total comprehensive income for the period attributable to the non-controlling interests		
– from continuing operations	75,339	41,751
	1,249,441	575,944

Condensed Consolidated Statement of Financial Position

At June 30, 2021



	NOTES	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	5,907,171	6,012,300
Right-of-use assets	10	2,989,030	2,992,826
Goodwill		1,402,952	1,396,802
Other intangible assets		2,237,450	2,333,346
Deposits paid for acquisition of property, plant and equipment		79,693	78,390
Deposits paid for acquisition of land use rights		34,653	41,153
Equity instruments at FVTOCI	21	15,540	12,947
Financial assets at fair value through profit or loss ("FVTPL")	21	359,059	354,934
Interests in joint ventures		69,054	92,795
Interests in associates		527,358	502,155
Finance lease receivables		116	425,313
Loan receivables	11	1,529	4,618
Deferred tax assets		229,886	208,976
Other assets	13	76,195	76,195
		13,929,686	14,532,750
Current assets			
Inventories	12	4,592,161	4,855,794
Finance lease receivables		11,981	1,988,522
Loan receivables	11	50,825	109,303
Trade and other receivables	13	6,332,993	7,510,504
Financial assets at FVTPL	21	212,623	302,525
Amounts due from related parties	24	190,289	180,018
Cash in transit		106,289	94,939
Time deposits		28,100	363,175
Restricted bank balances		838,817	1,720,094
Bank balances and cash		3,786,385	3,079,867
		16,150,463	20,204,741
Assets classified as held for sale	22	2,564,583	–
		18,715,046	20,204,741

(continued)

Condensed Consolidated Statement of Financial Position

At June 30, 2021

	NOTES	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Current liabilities			
Trade and other payables	14	4,476,769	5,806,835
Amounts due to related parties	24	8,206	32,279
Income tax liabilities		1,126,180	1,057,033
Borrowings	15	5,640,770	6,433,683
Contract liabilities		2,323,760	2,369,198
Lease liabilities		166,891	197,571
Super short-term commercial papers	16	–	99,951
Derivative financial liabilities		316,700	47,029
		14,059,276	16,043,579
Liabilities associated with assets classified as held for sale	22	1,955,947	–
		16,015,223	16,043,579
Net current assets		2,699,823	4,161,162
Total assets less current liabilities		16,629,509	18,693,912
Non-current liabilities			
Borrowings	15	812,255	3,220,732
Lease liabilities		1,793,785	1,749,194
Other liabilities	14	49	11,282
Deferred tax liabilities		678,201	705,895
Medium-term note	17	368,098	367,543
Derivative financial liabilities		–	283,607
		3,652,388	6,338,253
Net assets		12,977,121	12,355,659
Capital and reserves			
Share capital	18	16,315	16,306
Reserves		12,444,883	11,815,430
Equity attributable to owners of the Company		12,461,198	11,831,736
Non-controlling interests		515,923	523,923
Total equity		12,977,121	12,355,659

Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory	Share-based				Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
			surplus reserve RMB'000 <i>(note a)</i>	Special reserve RMB'000 <i>(note b)</i>	payments reserve RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000			
At January 1, 2021 (audited)	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
Profit for the period	-	-	-	-	-	-	1,171,509	1,171,509	75,339	1,246,848
Other comprehensive income for the period	-	-	-	-	-	2,593	-	2,593	-	2,593
Total comprehensive income for the period	-	-	-	-	-	2,593	1,171,509	1,174,102	75,339	1,249,441
Disposal of partial equity interests in subsidiaries without losing control	-	-	-	(848)	-	-	-	(848)	3,638	2,790
Disposal of subsidiaries	-	-	-	-	-	-	-	-	1,618	1,618
Acquisition of non-controlling interests of subsidiaries	-	-	-	(18)	-	-	-	(18)	(160)	(178)
Recognition of equity-settled share-based payments	-	-	-	-	17,887	-	-	17,887	-	17,887
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	6,986	6,986
Exercise of share options	9	7,395	-	-	-	-	-	7,404	-	7,404
Dividends recognized as distribution (Note 8)	-	(569,065)	-	-	-	-	-	(569,065)	-	(569,065)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(95,421)	(95,421)
At June 30, 2021 (unaudited)	16,315	1,729,524	1,683,958	44,606	180,255	(3,159)	8,809,699	12,461,198	515,923	12,977,121

(continued)

Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2021

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Statutory surplus reserve	Special reserve	Share-based payments reserve	FVTOCI reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020 (audited)	15,080	1,826,226	1,408,647	219,974	131,114	(8,041)	6,288,540	9,881,540	571,057	10,452,597
Profit for the period	-	-	-	-	-	-	529,965	529,965	41,751	571,716
Other comprehensive income for the period	-	-	-	-	-	4,228	-	4,228	-	4,228
Total comprehensive income for the period	-	-	-	-	-	4,228	529,965	534,193	41,751	575,944
Disposal of partial equity interests in subsidiaries without losing control	-	-	-	131	-	-	-	131	10,749	10,880
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(680)	(680)
Recognition of equity-settled share-based payments	-	-	-	-	13,050	-	-	13,050	-	13,050
Exercise of share options	73	27,934	-	-	-	-	-	28,007	-	28,007
Placement and subscription	1,094	907,595	-	-	-	-	-	908,689	-	908,689
Issue costs for the placement and subscription	-	(10,805)	-	-	-	-	-	(10,805)	-	(10,805)
Dividends recognized as distribution (Note 8)	-	(486,454)	-	-	-	-	-	(486,454)	-	(486,454)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(32,239)	(32,239)
At June 30, 2020 (unaudited)	16,247	2,264,496	1,408,647	220,105	144,164	(3,813)	6,818,505	10,868,351	590,638	11,458,989

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 into 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to make up for prior year losses, if any, and/or (ii) in capital conversion.
- b. The special reserve at June 30, 2021 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 RMB289,041,000 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax from continuing and discontinued operations	1,666,346	756,246
Adjustments for:		
Finance costs	276,129	370,935
Interest income on bank deposits	(29,776)	(13,692)
Interest income from a related party	–	(1,728)
Loss on disposal of subsidiaries	10,803	1,943
Depreciation of property, plant and equipment	383,291	371,960
Depreciation of right-of-use assets	162,515	139,422
Amortization of intangible assets	36,091	30,484
Share-based payment expenses	17,887	13,050
Gain on disposal of property, plant and equipment	(11,009)	(22,161)
(Gain) loss on fair value change of financial assets at FVTPL	(555)	10,255
(Reversal) provision of impairment of loan receivables	(1,124)	1,025
Provision of impairment of finance lease receivables	–	2,432
Gain on changes in fair value of derivative financial instruments, net	(6,928)	(26,404)
Foreign exchange loss	6,928	26,404
Share of profits of associates	(37,348)	(27,867)
Share of (profits) losses of joint ventures	(1,946)	3,325
Operating cash flows before movements in working capital	2,471,304	1,635,629
Decrease in inventories	256,563	247,538
Decrease in trade and other receivables	1,157,525	1,008,257
Decrease in finance lease receivables	459,891	402,632
Decrease in loan receivables	62,691	158,467
(Increase) decrease in cash in transit	(11,350)	16,288
Increase in other liabilities	5,693	35,063
Decrease in contract liabilities	(21,696)	(46,297)
Decrease in trade and other payables	(1,045,422)	(271,025)
Increase in amounts due from related parties	(24,283)	(7,713)
Increase in amounts due to related parties	163	22,474
Withdrawal of restricted bank balances	1,720,094	2,450,362
Placement of restricted bank balances	(838,817)	(2,711,017)
Cash generated from operations	4,192,356	2,940,658
Income taxes paid	(365,083)	(160,015)
NET CASH FROM OPERATING ACTIVITIES	3,827,273	2,780,643

(continued)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	NOTE	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
INVESTING ACTIVITIES			
Additions to and deposits paid for property, plant and equipment		(538,821)	(403,996)
Purchase of intangible assets		(25,754)	(20,261)
Payments for right-of-use assets		(482)	–
Purchase of financial assets at FVTPL		(271,000)	(340,000)
Refund of financial assets at FVTPL		351,381	4,632
Withdrawal of financial assets at FVTPL		5,951	1,000
Proceeds on disposal of property, plant and equipment and intangible assets		252,170	248,550
Advance to related parties		–	(25,612)
Collection of advance to related parties		14,012	10
Collection of advance to independent third parties		–	4,940
Advance to non-controlling interests		(510)	(3,900)
Collection of advance to non-controlling interests		23,600	–
Payment for prior year acquisition of subsidiaries		(73,150)	(105,301)
Acquisition of a subsidiary		–	(11,741)
Withdrawal of rental deposits		1,376	3,285
Disposal of subsidiaries	23	(23,365)	212
Dividends received from joint ventures		2,579	2,705
Dividends received from associates		12,145	8,342
Interest received		30,077	16,974
Investment income received from financial assets at FVTPL		–	39,145
Proceeds on deemed acquisition of a joint venture		12,578	–
Acquisition of investment in a joint venture		(4,300)	–
Placement of time deposits		(22,500)	(4,492)
Withdrawal of time deposits		357,575	316,790
NET CASH FROM (USED IN) INVESTING ACTIVITIES		103,562	(268,718)

(continued)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021



	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	13,881,970	13,950,077
Repayment of borrowings	(15,667,296)	(15,767,714)
Proceeds from issue of medium term notes	–	370,000
Proceeds from issue of super short-term commercial papers	–	100,000
Repayment of super short-term commercial papers	(100,000)	–
Payment for transaction costs of issue of medium term notes	(1,110)	(1,110)
Payment for transaction costs of issue of super short-term commercial papers	–	(550)
Repayments of leases liabilities	(132,400)	(147,062)
Advance from related parties	2,050	19,370
Prepayment of advance from related parties	(26,252)	(5,320)
Proceeds of disposal of partial equity interests in subsidiaries without losing control	2,790	10,880
Capital injection by non-controlling interests	6,986	–
Acquisition of non-controlling interests	(26,364)	–
Advance from non-controlling interests	123	3,839
Repayment of advance from non-controlling interests	(90,200)	(7,760)
Interest paid	(286,162)	(307,237)
Placement of deposits to entities controlled by suppliers for borrowings	(51,043)	(26,074)
Withdrawal of deposits to entities controlled by suppliers for borrowings	48,222	81,745
Dividends paid as distribution	(569,065)	–
Dividends paid to non-controlling interests	(95,864)	(32,937)
Proceeds from exercise of share options	7,404	28,007
Proceeds from placement and subscription	–	908,689
Issue cost paid for the placement and subscription	–	(10,805)
NET CASH USED IN FINANCING ACTIVITIES	(3,096,211)	(833,962)
NET INCREASE IN CASH AND CASH EQUIVALENTS	834,624	1,677,963
CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH	3,079,867	2,210,423
CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH*	3,914,491	3,888,386

* Cash and cash equivalents as at June 30, 2021 included cash and cash equivalents of discontinued operations amounting to RMB128,106,000 which were presented as assets classified as held for sale as at June 30, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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 “**Stock Exchange**”). The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services, provision of automobile operating lease services, and distribution of automobile insurance products and automobile financial products in the PRC. The Company and its subsidiaries are collectively referred to as the “**Group**”.

During the current interim period, the Company’s finance lease operation was discontinued upon Shanghai Yongda Finance Leasing Co., Ltd. being classified as held for sale as disclosed in Note 22.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1. Application of accounting policies which became relevant

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

2.2. Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2. Application of amendments to IFRSs (continued)

2.2.1. Impacts and accounting policies on early application of Amendment to IFRS 16 “COVID-19-Related Rent Concessions beyond June 30, 2021”

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

2.2.2. Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

2.2.2.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortized cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2. Application of amendments to IFRSs (continued)

2.2.2. Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2” (continued)

2.2.2.1 Accounting policies (continued)

Leases

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

The Group as a lessor

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.

2.2.2.2 Transition and summary of effects

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortized cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending December 31, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers for continuing operations

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Types of goods or services		
Sale of passenger vehicles:		
– Luxury and ultra-luxury brands (<i>note a</i>)	29,521,831	20,280,573
– Mid-to high-end brands (<i>note b</i>)	5,224,626	3,248,195
	34,746,457	23,528,768
Services		
– After-sales services	5,515,325	3,959,704
	40,261,782	27,488,472
Geographical markets		
Mainland China	40,261,782	27,488,472
Timing of revenue recognition		
A point in time	34,746,457	23,528,768
Over time	5,515,325	3,959,704
	40,261,782	27,488,472

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021



3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Disaggregation of revenue from contracts with customers for continuing operations (continued)

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

	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Sale of passenger vehicles RMB'000 (Unaudited)	After-sales services RMB'000 (Unaudited)	Sale of passenger vehicles RMB'000 (Unaudited)	After-sales services RMB'000 (Unaudited)
Revenue disclosed in segment information				
External customers	34,746,457	5,515,325	23,528,768	3,959,704
Inter-segment	127,694	2,208	52,123	1,856
Total	34,874,151	5,517,533	23,580,891	3,961,560
Eliminations	(127,694)	(2,208)	(52,123)	(1,856)
Revenue from contracts with customers	34,746,457	5,515,325	23,528,768	3,959,704

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

3B. OPERATING SEGMENTS

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

For the six months ended June 30, 2021

Continuing operations	Passenger vehicle sales and services	Automobile operating lease services	Proprietary finance business	Elimination	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited) (note d)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
External revenue	40,261,782	243,797	-	-	40,505,579
Inter-segment revenue	129,902	5,229	-	(135,131)	-
Segment revenue (note a)	40,391,684	249,026	-	(135,131)	40,505,579
Segment cost (note b)	36,730,401	194,244	-	(129,902)	36,794,743
Segment gross profit	3,661,283	54,782	-	(5,229)	3,710,836
Service income	620,008	-	-	-	620,008
Segment result	4,281,291	54,782	-	(5,229)	4,330,844
Other income and other gains and losses (note c)					48,289
Distribution and selling expenses					(1,636,665)
Administrative expenses					(908,800)
Finance costs					(279,165)
Share of profits of joint ventures					1,946
Share of profits of associates					37,348
Profit before tax from continuing operations					1,593,797

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021



3B. OPERATING SEGMENTS (continued)

For the six months ended June 30, 2020

Continuing operations	Passenger vehicle sales and services <i>RMB'000</i> (Unaudited)	Automobile operating lease services <i>RMB'000</i> (Unaudited)	Proprietary finance business <i>RMB'000</i> (Unaudited and restated) <i>(note d)</i>	Elimination <i>RMB'000</i> (Unaudited and restated)	Total <i>RMB'000</i> (Unaudited and restated)
External revenue	27,488,472	243,043	29,590	–	27,761,105
Inter-segment revenue	53,979	5,818	1,095	(60,892)	–
Segment revenue (<i>note a</i>)	27,542,451	248,861	30,685	(60,892)	27,761,105
Segment cost (<i>note b</i>)	25,096,238	189,133	2,463	(54,777)	25,233,057
Segment gross profit	2,446,213	59,728	28,222	(6,115)	2,528,048
Service income	488,009	–	–	–	488,009
Segment result	2,934,222	59,728	28,222	(6,115)	3,016,057
Other income and other gains and losses (<i>note c</i>)					36,907
Distribution and selling expenses					(1,322,113)
Administrative expenses					(711,395)
Finance costs					(375,532)
Share of losses of joint ventures					(3,325)
Share of profits of associates					27,867
Profit before tax from continuing operations					668,466

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

3B. OPERATING SEGMENTS (continued)

Notes:

- a. The segment revenue of passenger vehicles sales and services for the six months ended June 30, 2021 was approximately RMB40,391,684,000 (for the six months ended June 30, 2020: RMB27,542,451,000) which included the sales revenue of passenger vehicles amounting to approximately RMB34,874,151,000 (for the six months ended June 30, 2020: RMB23,580,891,000) and the after-sales services revenue amounting to approximately RMB5,517,533,000 (for the six months ended June 30, 2020: RMB3,961,560,000).
- b. The segment cost of passenger vehicles sales and services for the six months ended June 30, 2021 was approximately RMB36,730,401,000 (for the six months ended June 30, 2020: RMB25,096,238,000) which included the cost of sales of passenger vehicles amounting to approximately RMB33,721,100,000 (for the six months ended June 30, 2020: RMB22,959,057,000) and the cost of after-sales services amounting to approximately RMB3,009,301,000 (for the six months ended June 30, 2020: RMB2,137,181,000).
- c. The amount excludes the service income generated from the passenger vehicle sales and services segment, which is included in the segment result above.
- d. The segment revenue of proprietary finance business mainly includes small loan services since the finance lease operation being discontinued during the current interim period as disclosed in Note 22. The segment cost of proprietary finance business is mainly composed of finance costs. The Group intended that it would no longer carry out new proprietary finance businesses during the current interim period.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Continuing operations		
Other income comprises:		
Service income (<i>note a</i>)	620,008	488,009
Government grants (<i>note b</i>)	12,325	8,839
Interest income on bank deposits	27,650	12,377
Interest income from a related party	–	1,728
Others	–	478
	659,983	511,431
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment	11,009	22,161
Gain (loss) on fair value change of financial assets at FVTPL	555	(10,255)
Net foreign exchange loss	(4,642)	(26,533)
Reversal (provision) of impairment loss of loan receivables	1,124	(1,025)
Provision of impairment loss of finance lease receivables	–	(132)
Net gain on changes in fair value of derivative financial instruments	6,928	26,404
Loss on disposal of subsidiaries (<i>Note 23</i>)	(10,803)	(1,943)
Others	4,143	4,808
	8,314	13,485
Total	668,297	524,916

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

5. FINANCE COSTS

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Continuing operations		
Interests on:		
– bank loans	173,995	265,477
– other borrowings from entities controlled by suppliers	21,710	23,678
– reimbursement to suppliers (<i>note a</i>)	15,926	26,407
– super short-term commercial papers	208	638
– medium-term note	8,785	5,131
– lease liabilities	58,969	56,299
Release of capitalized transaction cost in relation to issue of super short-term commercial papers (<i>Note 16</i>)	49	130
Release of capitalized transaction cost in relation to issue of medium-term note (<i>Note 17</i>)	555	318
Less: interest capitalized (<i>note b</i>)	(1,032)	(2,546)
	279,165	375,532

Notes:

- a. The Group is required to undertake part of the finance costs incurred by suppliers of the Group in relation to discounting bank acceptance notes issued by the Group to the suppliers for the purchase of new passenger vehicles.
- b. Borrowing costs capitalized during the year arose from the general borrowing pool and are calculated by applying a capitalization rate of 5.93% (2020: 6.28%) per annum to expenditure on qualifying assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

6. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	782,603	697,150
Retirement benefits scheme contributions	60,018	29,007
Share-based payment expenses	17,887	13,050
Total staff costs	860,508	739,207
Depreciation of property, plant and equipment	380,265	370,844
Depreciation of right-of-use assets	162,515	139,422
Amortization of other intangible assets	36,091	30,484
Covid-19-related rent concessions (deducted in the related expenses)	-	(15,080)

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	449,046	207,471
(Over) under provision of PRC EIT in prior years	(345)	2,026
	448,701	209,497
Deferred tax		
Current period credit	(55,362)	(46,838)
	393,339	162,659

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

7. 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 during the six months ended June 30, 2020 and 2021.

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 or December 31, 2022.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB8,796,295,000 (2020: RMB6,800,898,000) 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.

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.288 per share in respect of the year ended December 31, 2020 (2019: RMB0.247 per share) was declared and paid to the owners of the Company in Hong Kong dollars (the "HK\$"). The aggregate amount of the 2020 final dividend declared and paid in the interim period amounted to approximately RMB569,065,000 (for the six months ended June 30, 2020: RMB486,454,000).

The board of directors of the Company has determined that no dividend will be paid in respect of the interim period for the six months ended June 30, 2021 (for the six months ended June 30, 2020: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

9. EARNINGS PER SHARE

From continuing and discontinued operations

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

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Earnings figures are calculated as follow:		
Profit for the period attributable to owners of the Company	1,171,509	529,965
	For the six months ended June 30,	
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,975,451	1,847,624
Effect of dilutive potential ordinary shares:		
Share options	2,630	6,516
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,978,081	1,854,140

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

9. EARNINGS PER SHARE (continued)

From continuing operations

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

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Earnings		
Profit for the period attributable to owners of the Company	1,171,509	529,965
Less:		
Profit for the period from discontinued operations attributable to owners of the Company	46,390	65,909
Earnings for the purpose of basic and diluted earnings per share from continuing operations	1,125,119	464,056

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is RMB0.02 per share (2020: RMB0.04 per share) and diluted earnings per share for the discontinued operations is RMB0.02 per share (2020: RMB0.04 per share), based on the profit for the period from the discontinued operations of approximately RMB46 million (2020: profit for the period of RMB66 million) and the denominators detailed above for both basic and diluted earnings per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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

Property, plant and equipment

During the current interim period, the Group acquired property, plant and equipment of approximately RMB535,229,000 (for the six months ended June 30, 2020: RMB478,650,000).

During the current interim period, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB239,997,000 (for the six months ended June 30, 2020: RMB222,634,000) for cash proceeds of approximately RMB251,006,000 (for the six months ended June 30, 2020: RMB244,795,000), resulting in a gain on disposal of approximately RMB11,009,000 (for the six months ended June 30, 2020: RMB22,161,000).

During the current interim period, the Group reclassified property, plant and equipment with a carrying amount of approximately RMB6,778,000 as held for sale.

In addition, during the current interim period, the Group paid RMB1,303,000 (for the six months ended June 30, 2020: nil) as deposits for acquisition of property, plant and equipment for business expansion.

Right-of-use assets

During the current interim period, the Group entered into some new lease agreements for the use of operation range 14 months to 12 years. On lease commencement, the Group recognized approximately RMB174,096,000 (for six months ended June 30, 2020: RMB179,154,000) of right-of-use assets and approximately RMB169,696,000 (for six months ended June 30, 2020: RMB177,724,000) lease liabilities.

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Leased properties	1,739,548	1,728,479
Leasehold land	1,249,482	1,264,347
	2,989,030	2,992,826

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

11. LOAN RECEIVABLES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Guaranteed but unsecured loans	53,607	98,520
Secured but unguaranteed loans	1,971	19,749
Gross loan receivables	55,578	118,269
Less: allowance for impairment loss under expected credit loss ("ECL") model	(3,224)	(4,348)
Net loan receivables	52,354	113,921
Analyzed as:		
Current	50,825	109,303
Non-current	1,529	4,618
	52,354	113,921

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

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Fixed-rate loan receivables:		
Within one year	50,825	109,303
In more than one year but not more than two years	1,529	4,128
In more than two years but not more than three years	-	490
	52,354	113,921

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

12. INVENTORIES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Passengers vehicles	4,041,327	4,362,604
Spare parts and accessories	550,834	493,190
	4,592,161	4,855,794

13. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Current		
Trade receivables	1,028,080	1,019,557
Bill receivables	200	1,827
	1,028,280	1,021,384
Prepayments and other receivables comprise:		
Prepayments and deposits to suppliers	2,396,041	2,999,115
Deposits to entities controlled by suppliers for borrowings	181,667	178,846
Prepayments and rental deposits on properties	98,668	65,311
Rebate receivables from suppliers	1,880,709	2,343,564
Finance and insurance commission receivables	215,478	194,624
Staff advances	11,373	12,164
Value-added tax recoverable	133,788	323,580
Advances to non-controlling interests (note)	41,801	64,891
Advances to independent third parties (note)	7,520	7,520
Receivables from former shareholders of acquired subsidiaries	–	66,728
Others	337,668	232,777
	5,304,713	6,489,120
	6,332,993	7,510,504
Non-current		
Other assets		
Receivables from disposal of land use right	76,195	76,195

Note: Except for advance to non-controlling interests of RMB6,900,000 (2020: 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
0 to 90 days	1,028,280	1,021,384

None of the trade and bill receivables are 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.

14. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Current		
Trade payables	982,640	925,650
Bills payables	2,652,663	3,798,958
	3,635,303	4,724,608
Other payables		
Other tax payables	190,145	165,533
Payable for acquisition of property, plant and equipment	49,043	53,492
Salary and welfare payables	186,947	212,352
Accrued interest	18,818	32,453
Accrued audit fee	2,500	5,320
Consideration payables for acquisition of subsidiaries	2,377	69,377
Consideration payables for acquisition of non-controlling interests	-	26,186
Advance from non-controlling interests (note)	47,815	137,892
Dividend payable to non-controlling interests	1,489	1,932
Deposits received from customers under finance leases	5,052	54,844
Other accrued expenses	102,353	99,592
Others	234,927	223,254
	841,466	1,082,227
	4,476,769	5,806,835

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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

	June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Non-current Other liabilities		
Deposits received from customers under finance leases	49	11,282

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

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

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

	June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
0 to 90 days	3,555,608	3,807,534
91 to 180 days	79,695	917,074
	3,635,303	4,724,608

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

15. BORROWINGS

	June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Bank loans	4,974,522	7,213,643
Other borrowings	1,478,503	2,440,772
	6,453,025	9,654,415
Secured borrowings, by the Group's assets	2,211,545	3,216,043
Unsecured borrowings	4,241,480	6,438,372
	6,453,025	9,654,415
Unguaranteed borrowings	6,453,025	9,654,415
Fixed-rate borrowings	6,022,917	9,157,547
Variable-rate borrowings	430,108	496,868
	6,453,025	9,654,415
Carrying amount repayable:		
Within one year	5,640,770	6,433,683
More than one year, but not exceeding two years	65,521	2,421,798
More than two years, but not exceeding five years	602,734	636,934
More than five years	144,000	162,000
	6,453,025	9,654,415
Less: amounts due within one year shown under current liabilities	5,640,770	6,433,683
Amounts shown under non-current liabilities	812,255	3,220,732

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at June 30, 2021 ranged from 3.40% to 6.09% (2020: 3.25% to 6.09%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

15. BORROWINGS (continued)

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.

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Right-of-use assets -leasehold land	164,447	103,218
Property, plant and equipment (buildings and motor vehicles)	87,294	94,362
Inventories	1,295,757	1,678,657
Total	1,547,498	1,876,237

As at June 30, 2021, the Group has also pledged the total equity interest of a subsidiary with an amount of RMB400 million (2020: RMB400 million) for bank borrowings obtained.

16. SUPER SHORT-TERM COMMERCIAL PAPERS

On May 20, 2019, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment") received a notice of acceptance of registration (the "Notice") issued from National Association of Financial Market Institutional Investors to issue super short-term commercial papers of an aggregate registered amount of RMB2 billion. According to the Notice, the registered amount is effective for two years commencing from the date of issue of the Notice.

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

Movement of the super short-term commercial papers during the six months ended June 30, 2021 was as follows:

	RMB'000
At December 31, 2020	99,951
Add: interest expense – amortization of transaction costs	49
Less: Repayment of super short-term commercial papers	(100,000)
At June 30, 2021	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

17. 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, which is repayable within three years from the date of issuance.

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

Movement of the medium-term note during the six months ended June 30, 2021 was as follows:

	<i>RMB'000</i>
At December 31, 2020	367,543
Add: interest expense – amortization of transaction costs	555
At June 30, 2021	368,098

18. SHARE CAPITAL

	Number of shares '000	Amount <i>RMB'000</i>	
Ordinary shares of HK\$0.01 each			
Authorized:			
As at January 1, 2020 (audited), June 30, 2020 (unaudited), January 1, 2021 (audited) and June 30, 2021 (unaudited)	2,500,000	25,000	
	Number of shares '000	Amount <i>HK\$'000</i>	Shown in financial statements as <i>RMB'000</i>
Issued and fully paid:			
At January 1, 2021 (audited)	1,974,839	19,748	16,306
Exercise of share options (<i>Note 19</i>)	1,077	11	9
At June 30, 2021 (unaudited)	1,975,916	19,759	16,315

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For the six months ended June 30, 2021

19. SHARE-BASED COMPENSATION

(a) Share Option Scheme

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

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

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

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the six months ended June 30, 2021 and 2020:

	Grant date	Exercised price (HK\$)	Outstanding as at January 1, 2021	Granted during the period	Number of options exercised during the period (Note 18)	Lapsed during the period	Outstanding as at June 30, 2021
Directors:							
Mr. Xu Yue	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							
	June 19, 2017	8.14	5,120,500	-	(1,077,000)	-	4,043,500
	December 4, 2020	13.92	8,200,000	-	-	-	8,200,000
			17,120,500	-	(1,077,000)	-	16,043,500
Option exercisable			5,120,500				4,044,500
Weighted average exercise price (HK\$)			12.19	-	8.14	-	12.46

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For the six months ended June 30, 2021

19. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Grant date	Exercised price (HK\$)	Outstanding as at		Number of options		Outstanding as at June 30, 2020
		January 1, 2020	Granted during the period	exercised during the period	Lapsed during the period	
Directors:						
Mr. Wang Liqun	July 26, 2016	3.78	200,000	-	(200,000)	-
Mr. Lyu Wei	July 26, 2016	3.78	200,000	-	(200,000)	-
Ms. Zhu Ann Dezhen	July 26, 2016	3.78	200,000	-	-	200,000
Mr. Xu Yue	July 26, 2016	3.78	2,400,000	-	(1,400,000)	1,000,000
Employees and other						
grantees	July 26, 2016	3.78	9,494,500	-	(6,232,950)	3,261,550
	June 19, 2017	8.14	8,941,000	-	(66,000)	8,875,000
			21,435,500	-	(8,098,950)	13,336,550
<hr/>						
Option exercisable			15,969,000			11,370,000
<hr/>						
Weighted average exercise						
price (HK\$)			5.62	-	3.82	6.73

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise is HK\$14.45 (2020: HK\$9.52).

The Group recognized an expense of approximately RMB4,590,000 for the six months ended June 30, 2021 in relation to the share options granted by the Company under the Share Option Scheme (for the six months ended June 30, 2020: RMB2,500,000).

(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.

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For the six months ended June 30, 2021

19. SHARE-BASED COMPENSATION (continued)

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

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

During the current interim period, awards of approximately 1,460,000 (for the six months ended June 30, 2020: approximately 2,735,000) restricted shares have been granted pursuant to the Amended Scheme. Details are set out as follows:

	Number of shares '000	Vesting period	Total fair value RMB'000
Year 2017	9,413	1-28 years	63,888
Year 2018	10,080	10 years	68,718
Year 2019	2,667	10 years	11,131
Year 2020	4,615	5 years	35,869
Year 2021	1,460	5 years	1,707

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

The Group recognized an expense of approximately RMB13,297,000 for the six months ended June 30, 2021 in relation to such awards made by the Company under the Amended Scheme (for the six months ended June 30, 2020: RMB10,550,000).

20. CAPITAL COMMITMENTS

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	31,272	60,508

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)		
Financial assets at FVTPL	Fund instruments 212,623 (note)	Fund instruments 302,525 (note)	Level 1	Determined based on the fair value of underlying investments which are quoted in active markets
Financial assets at FVTPL	Listed securities 3,517	Listed securities 3,441	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL	Unquoted equity instruments: 355,542	Unquoted equity instruments: 351,493	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 15,540	Listed securities 12,947	Level 1	Quoted bid prices in an active market

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Note: In the interim period, the Group entered into several contracts to purchase fund units (the "Fund") with financial institutions. The entire contracts have been accounted for financial assets at FVTPL on initial recognition. As at June 30, 2021, the fair value of the Fund is RMB212,623,000 (December 31, 2020: RMB302,525,000) per the investment statement of the financial institution. The fair value change in the amount of RMB479,000 (for the six months ended June 30, 2020: RMB5,021,000) was recognized in profit or loss in the current period.

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL RMB'000
At January 1, 2020 (audited)	333,963
Purchased	30,000
Disposal	(12,470)
At January 1, 2021 (audited)	351,493
Purchased	10,000
Disposals	(5,951)
At June 30, 2021 (unaudited)	355,542

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

22. DISCONTINUED OPERATIONS/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On June 29, 2021, the Company entered into a series of equity transfer agreements to dispose its 52% equity interest to an independent third party and 28% equity interest to a related party in Shanghai Yongda Finance Leasing Co., Ltd. that carried out the finance lease operation for a total consideration of RMB446.5 million. The purpose of the disposal is to realize the assets of the proprietary financial business, improve the balance sheet structure, increase the capital turnover rate, and enhance the Group's ability to focus on the development of the main business of automobile sales services.

As of June 30, 2021, the disposal has not been completed yet, it is highly probable to be completed within 12 months as assessed by the management, and therefore the finance lease operation is treated as a discontinued operation. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognized.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

22. DISCONTINUED OPERATIONS/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(continued)

The profit for six months ended June 30, 2021 from the discontinued operations are set out below. The comparative figures during the period ended June 30, 2020 in the condensed consolidated statement of profit or loss have been restated to represent the finance lease operation as a discontinued operation.

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	136,359	192,262
Cost of sales and services	(39,391)	(68,300)
Gross profit	96,968	123,962
Other income and other gains and losses	11,474	1,782
Distribution and selling expenses	(9,544)	(10,375)
Administrative expenses	(26,349)	(27,589)
Profit before tax	72,549	87,780
Income tax expense	(26,159)	(21,871)
Profit for the period	46,390	65,909
Profit for the period attributable to the owners of the Company	46,390	65,909

During the six months ended June 30, 2020 and 2021, the finance leasing business contributed RMB624,329,000 to the Group's operating cash inflows and contributed RMB268,564,000 to the Group's operating cash outflows respectively, paid RMB4,154,000 and received RMB733,000 respectively in respect of investing activities and paid RMB619,184,000 and received RMB12,340,000 respectively in respect of financing activities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

22. DISCONTINUED OPERATIONS/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(continued)

The assets and liabilities attributable to finance lease operation, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognized. The major classes of assets and liabilities of the finance lease operation classified as held for sale, are as follows:

	As at June 30, 2021 RMB'000
Property, plant and equipment	6,778
Other intangible assets	84,395
Finance lease receivables	2,040,372
Deferred tax assets	1,788
Trade and other receivables	303,144
Bank balances and cash	128,106
Total assets classified as held for sale	2,564,583
Trade and other payables	456,613
Contract liabilities	23,742
Amounts due to related parties	34
Income tax liabilities	40,630
Borrowings	1,430,000
Other liabilities	4,928
Total liabilities classified as held for sale	1,955,947

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

23. DISPOSAL OF SUBSIDIARIES

In March and April 2021, the Group disposed of 83% equity interests in Beijing Linke Co., Ltd. and 100% equity interests in Taixing Guangben Service Co., Ltd. to independent third parties respectively for a total consideration of RMB14.11 million.

The net assets at the dates of disposal were as follows:

	<i>RMB'000</i>
Property, plant and equipment	12,599
Right-of-use assets	22,359
Deferred tax assets	4,970
Inventories	7,070
Trade and other receivables	11,348
Bank balances and cash	37,478
Trade and other payables	(49,141)
Lease liabilities	(23,385)
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Net assets disposed of	23,298
Less: non-controlling interests	1,618
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Net assets disposed of	24,916
Loss on disposal	(10,803)
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Total consideration	14,113
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Satisfied by:	
Cash	14,113
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<i>Net cash outflow arising on disposal:</i>	
Cash received	14,113
Less: bank balances and cash disposed of	(37,478)
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	(23,365)
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Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

24. RELATED PARTY DISCLOSURES

I. Amounts due from related parties

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Joint ventures held by the Group		
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda") (note b)	148,600	124,405
Ryde 88 Pty Limited ("Ryde 88 Pty") (note a)	27,219	41,231
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda")	–	189
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong")	–	10
Associates held by the Group		
Shanghai Shenbei Lexus Car Sales Co., Ltd. ("Shenbei Lexus")	13,500	13,500
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	500	–
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd.	470	642
Sichuan Yongzhida Second-Hand Car Sales Co., Ltd. ("Sichuan Yongzhida")	–	41
	190,289	180,018
Analyzed as:		
Trade-related (note a)	35,148	10,865
Non trade-related (note a)	155,141	169,153
	190,289	180,018

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

24. 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-related are with aging less than 90 days.

Except the balance of Ryde 88 Pty, the remaining balances are interest-free, unsecured and repayable on demand. The balance of Ryde 88 Pty 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 shall full settled the loan within the year of 2021. During the six months ended June 30, 2021, AU\$2,000,000 and the corresponding interests were paid out by Ryde 88 Pty.

- b. The maximum amount outstanding related to Harbin Yongda during the six months ended June 30, 2021 is RMB148,630,000 (2020: RMB124,405,000).

II. Amounts due to related parties

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Joint ventures held by the Group		
Shanghai Bashi Yongda	–	26,252
Harbin Yongda	–	266
Associates held by the Group		
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile")	5,939	5,750
Sichuan Yongzhida	2,050	–
Anhui Jiajia Yongda Automobile Sales Co., Ltd. ("Anhui Jiajia Yongda")	180	–
Shanghai Oriental Yongda	37	5
Shenbei Lexus	–	6
	8,206	32,279
Analyzed as:		
Trade-related (note a)	1,156	1,027
Non trade-related (note b)	7,050	31,252
	8,206	32,279

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

24. RELATED PARTY DISCLOSURES (continued)

II. Amounts due to related parties (continued)

Notes:

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

III. Related party transactions

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
a) Sales of motor vehicles		
Shanghai Oriental Yongda	26,422	334,353
Anhui Jiajia Yongda	3,722	17,506
Shanghai Bashi Yongda	-	1,593
Shanghai Yongda Changrong	-	125
	30,144	353,577
b) Purchase of motor vehicles		
Shanghai Yongda Changrong	1,115	1,295
c) Sales of spare parts		
Shanghai Bashi Yongda	-	1,357
Shanghai Yongda Changrong	172	404
	172	1,761
d) Purchase of spare parts		
Shanghai Bashi Yongda	-	1,947
e) Purchase of services		
Shanghai Oriental Yongda	8,472	-

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

24. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
f) Rental expenses paid or payable to:		
Joint ventures held by the Group		
Harbin Yongda	–	1,102
Associate held by the Group		
Shanghai Yongda Fengdu Automobile	1,617	3,440
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd. and Shanghai Yongda Property Development Co., Ltd.	17,627	14,809
	19,244	19,351

The Group has initially applied IFRS 16 as from January 1, 2019. Based on IFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the lease agreements in connection with the use of leased properties had resulted in recognition of a lease liability with the balance of RMB80,951,000 and a right-of-use asset with the balance of RMB79,832,000 as at June 30, 2021. In addition, the Group recorded depreciation of right-of-use asset of RMB15,966,000 and interest expense of RMB2,689,000 in the condensed consolidated statement of profit or loss for six months ended June 30, 2021.

g) Compensation of key management personnel:		
Short-term benefits	5,480	3,991
Post-employment benefits	327	61
Share-based payments	5,846	2,473
	11,653	6,525

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