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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the six months ended June 30, 2020, together with comparative figures for the six months ended June 30, 2019.

FINANCIAL HIGHLIGHTS OF THE GROUP

- Comprehensive revenue including revenue from finance and insurance agency services for the six months ended June 30, 2020 was RMB28,425 million, a 4.1% decrease from RMB29,633 million for the six months ended June 30, 2019, of which, amount for the second quarter of 2020 was RMB17,948 million, a 14.4% increase over the same period last year.

- Comprehensive gross profit including revenue from finance and insurance agency services for the six months ended June 30, 2020 was RMB3,137 million, a 4.9% decrease from RMB3,299 million for the six months ended June 30, 2019, of which, amount for the second quarter of 2020 was RMB1,986 million, a 15.5% increase over the same period last year.

- Revenue from new vehicles of luxury brands for the six months ended June 30, 2020 was RMB20,298 million, a 0.6% increase from RMB20,169 million for the six months ended June 30, 2019, of which, amount for the second quarter of 2020 was RMB12,770 million, a 17.5% increase over the same period last year.

- Revenue of after-sales services for the six months ended June 30, 2020 was RMB3,962 million, a 6.7% decrease from RMB4,244 million for the six months ended June 30, 2019, of which, amount for the second quarter of 2020 was RMB2,545 million, a 15.4% increase over the same period last year.

- Net profit for the six months ended June 30, 2020 was RMB572 million, a 26.9% decrease from RMB782 million for the six months ended June 30, 2019, of which, amount for the second quarter of 2020 was RMB509 million, a 21.7% increase over the same period last year.

- Net profit attributable to the owners of the Company for the six months ended June 30, 2020 was RMB530 million, a 27.8% decrease from RMB734 million for the six months ended June 30, 2019, of which, amount for the second quarter of 2020 was RMB471 million, a 21.3% increase over the same period last year.

- Basic earnings per share for the six months ended June 30, 2020 was RMB0.29 (six months ended June 30, 2019: RMB0.40).

MARKET REVIEW

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

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

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

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

BUSINESS REVIEW

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

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

Continuous Growth in New Vehicle Sales Business

In the first half of 2020, our sales volume of new vehicles was 81,974 units, decreased by 13.5% over the same period in 2019. In the second quarter when business operations gradually recovered, our sales volume of new vehicles of luxury brands increased by 8.0% over the same period in 2019 to 37,372 units. Various luxury brands which we are authorized by manufacturers achieved rapid recovery and improvement in the later stages of the epidemic. Among them, the sales volume of the BMW and Porsche brands increased by 15.2% and 7.8% respectively over the same period in 2019, and sales performance achieved faster growth compared to that of the same period in the overall market. With the gradual recovery of the domestic luxury brand consumption market, our sales scale will also be further expanded.

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

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

In the first half of 2020, the turnover day of our new vehicle was 36.4 days, of which the turnover day in the second quarter was 28.2 days, a reduce of 7.4 days compared to the same period in 2019. Through the establishment and improvement of an integrated inventory management system, we have taken initiatives to accelerate the pace of new car sales. We strengthened management of the depth and matching of orders on the purchase end to ensure that the product structure meets market demand. We limited the funds used in inventories, which ensured an increase in our inventory turnover efficiency of our new vehicles, effectively controlled our financial costs and substantially improved the efficiency of our asset operations.

In terms of the innovation of new vehicle sales management, we noticed that the users' willingness to go out during the epidemic has declined while their attention to online platforms has increased significantly and the diversified trend of information channel has become more distinct. We created a "No shop online ordering (不到店訂車)" service experience model for users by designing various types of small-sum subscription package products and carrying out all-staff marketing, etc.. We further emphasized the importance of the non-showroom channels and their management via online live broadcast, so as to achieve omni-channel attraction of potential customers. Meanwhile, we continued to reinforce our strengths in television sales channels by expanding our new model of vehicle sales on televisions to many provinces with rapid economic development in China, thus bringing fresh vehicle purchase experience to customers as well as enhancing our brand influence and awareness.

Rapid Recovery in After-sales Services

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

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

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

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

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

Continuous Improvement of Profitability of Pre-owned Vehicle Business

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

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

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

Continuous Adjustment on Automobile Finance

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

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

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

Continuous Optimization and Improvement of Network

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

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

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

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

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

Continuously Improved Management

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

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

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

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

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

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

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

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

	NOTES	Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue			
Goods and services	3A	**27,488,472**	28,640,792
Rental		**243,043**	224,286
Interests		**218,534**	240,721
Total revenue	3B	**27,950,049**	29,105,799
Cost of sales and services		**(25,288,027)**	(26,333,711)
Gross profit		**2,662,022**	2,772,088
Other income and other gains and losses	4	**509,583**	580,266
Distribution and selling expenses		**(1,333,799)**	(1,216,925)
Administrative expenses		**(735,167)**	(729,880)
Profit from operations		**1,102,639**	1,405,549
Share of (losses) profits of joint ventures		**(3,325)**	5,354
Share of profits of associates		**27,867**	21,995
Finance costs		**(370,935)**	(376,536)
Profit before tax	5	**756,246**	1,056,362
Income tax expense	6	**(184,530)**	(274,105)
Profit for the period		**571,716**	782,257
Profit for the period attributable to:			
Owners of the Company		**529,965**	734,132
Non-controlling interests		**41,751**	48,125
		571,716	782,257
Earnings per share – basic	8	**RMB0.29**	RMB0.40
Earnings per share – diluted	8	**RMB0.29**	RMB0.40

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020

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

	NOTES	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Current liabilities			
Trade and other payables	*14*	**6,823,071**	7,070,534
Amounts due to related parties		**39,333**	2,809
Income tax liabilities		**757,428**	729,718
Borrowings		**8,365,523**	10,129,408
Contract liabilities		**1,679,148**	1,725,445
Lease liabilities		**192,386**	174,747
Dividends payable		**486,454**	–
Super short-term commercial papers	*15*	**99,580**	–
Derivative financial liabilities		**–**	12,606
		18,442,923	19,845,267
Net current assets		**2,496,882**	430,165
Total asset less current liabilities		**17,059,129**	15,629,550
Non-current liabilities			
Borrowings		**2,726,798**	2,722,575
Lease liabilities		**1,727,945**	1,658,623
Other liabilities	*14*	**29,553**	31,961
Deferred tax liabilities		**656,085**	659,301
Medium-term note	*16*	**366,988**	–
Derivative financial liabilities		**92,771**	104,493
		5,600,140	5,176,953
Net assets		**11,458,989**	10,452,597
Capital and reserves			
Share capital		**16,247**	15,080
Reserves		**10,852,104**	9,866,460
Equity attributable to owners of the Company		**10,868,351**	9,881,540
Non-controlling interests		**590,638**	571,057
Total equity		**11,458,989**	10,452,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**") and provisional accounting basis related to business combinations, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of amendments to IFRSs

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

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

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

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

2.1. Impacts and accounting policies on early application to Amendment to IFRS 16 "COVID-19-Related rental concessions"

2.1.1 Accounting polices

Leases

COVID-19-related rent concessions

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

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

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

2.1.2 Transition and summary of effects

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

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

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

Notes:

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

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

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

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

3B. OPERATING SEGMENTS

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

For the six months ended June 30, 2020

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

For the six months ended June 30, 2019

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

Notes:

a. The segment revenue of passenger vehicles sales and services for the six months ended June 30, 2020 was approximately RMB27,542,451,000 (for the six months ended June 30, 2019: RMB28,726,748,000) which included the sales revenue of passenger vehicles amounting to approximately RMB23,580,891,000 (for the six months ended June 30, 2019: RMB24,482,401,000) and the after-sales services revenue amounting to approximately RMB3,961,560,000 (for the six months ended June 30, 2019: RMB4,244,347,000).

b. The segment cost of passenger vehicles sales and services for the six months ended June 30, 2020 was approximately RMB25,096,238,000 (for the six months ended June 30, 2019: RMB26,185,554,000) which included the cost of sales of passenger vehicles amounting to approximately RMB22,959,057,000 (for the six months ended June 30, 2019: RMB23,897,552,000) and the cost of after-sales services amounting to approximately RMB2,137,181,000 (for the six months ended June 30, 2019: RMB2,288,002,000).

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

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

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

4. OTHER INCOME/OTHER GAINS AND LOSSES

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

Notes:

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

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

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

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

6. INCOME TAX EXPENSE

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

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

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

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries, except for some small profit-making PRC subsidiaries which are entitled to a preferential tax rate of 5% to 10% with the expiry date on December 31, 2021.

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

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

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

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

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

Property, plant and equipment

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

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

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

Right-of-use assets

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

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

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

10. FINANCE LEASE RECEIVABLES

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

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

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

As at June 30, 2020, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB29,553,000 (2019: RMB31,961,000) and RMB82,498,000 (2019: RMB45,027,000) were recognized as other non-current liabilities and current liabilities, respectively (Note 14).

11. LOAN RECEIVABLES

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

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

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

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

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

12. INVENTORIES

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

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

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

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

Notes:

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

b. The balance carried at a fixed interest rate of 4.9% per annum (2019: 4.9%), which was payable upon the maturity with a credit term of 5 years.

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

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

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

14. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	June 30, 2020 *RMB'000* **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Current		
Trade payables	**881,677**	694,997
Bills payables	**4,859,224**	5,372,084
	5,740,901	6,067,081
Other payables		
Other tax payables	**189,466**	157,795
Payable for acquisition of property, plant and equipment	**41,040**	43,341
Salary and welfare payables	**150,127**	83,154
Accrued interest	**53,072**	46,120
Accrued audit fee	**2,200**	4,960
Consideration payables for acquisition of subsidiaries *(note)*	**122,859**	228,160
Advance from non-controlling interests *(note)*	**79,981**	83,902
Dividend payable to non-controlling interests	**1,279**	1,976
Deposits received from customers under finance leases *(Note 10)*	**82,498**	45,027
Other accrued expenses	**121,061**	116,422
Others	**238,587**	192,596
	1,082,170	1,003,453
	6,823,071	7,070,534
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 10)*	**29,553**	31,961

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

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

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

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

15. SUPER SHORT-TERM COMMERCIAL PAPERS

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

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

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

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

16. MEDIUM-TERM NOTE

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

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

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

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

FINANCIAL REVIEW

Revenue

Revenue was RMB27,950.0 million for the six months ended June 30, 2020, a 4.0% decrease from RMB29,105.8 million for the six months ended June 30, 2019. Revenue was RMB17,658.2 million for the second quarter of 2020, a 14.5% increase from RMB15,423.3 million for the second quarter of 2019, which was primarily due to the growth of sales of luxury and ultra-luxury brand passenger vehicles and after-sales services. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	For the six months ended June 30,					
	2020			2019		
	Amount *(RMB'000)*	**Sales Volume** *(Units)*	**Average Selling Price** *(RMB'000)*	Amount *(RMB'000)*	Sales Volume *(Units)*	Average Selling Price *(RMB'000)*
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	**20,298,480**	**58,134**	**349**	20,169,442	60,981	331
Mid- to high-end brands	**3,282,411**	**23,840**	**138**	4,312,959	33,782	128
Subtotal	**23,580,891**	**81,974**	**288**	24,482,401	94,763	258
After-sales services	**3,961,560**	**–**	**–**	4,244,347	–	–
Automobile rental services	**248,861**	**–**	**–**	224,286	–	–
Proprietary finance business	**222,947**	**–**	**–**	246,373	–	–
Less: inter-segment eliminations	**(64,210)**	**–**	**–**	(91,608)	–	–
Total	**27,950,049**	**–**	**–**	29,105,799	–	–

	2nd Quarter of 2020			2nd Quarter of 2019		
	Amount *(RMB'000)*	**Sales Volume** *(Units)*	**Average Selling Price** *(RMB'000)*	Amount *(RMB'000)*	Sales Volume *(Units)*	Average Selling Price *(RMB'000)*
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	**12,770,196**	**37,372**	**342**	10,872,735	34,589	314
Mid- to high-end brands	**2,144,817**	**15,158**	**141**	2,154,094	17,745	121
Subtotal	**14,915,013**	**52,530**	**284**	13,026,829	52,334	249
After-sales services	**2,544,502**	**–**	**–**	2,205,398	–	–
Automobile rental services	**127,147**	**–**	**–**	119,020	–	–
Proprietary finance business	**116,592**	**–**	**–**	124,238	–	–
Less: inter-segment eliminations	**(45,096)**	**–**	**–**	(52,150)	–	–
Total	**17,658,158**	**–**	**–**	15,423,335	–	–

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

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

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

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

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

Cost of Sales and Services

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

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

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

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

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

Other Income and Other Gains and Losses

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

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

Distribution and Selling Expenses and Administrative Expenses

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

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

Operating Profit

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

Finance Costs

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

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

Profit before Tax

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

Income Tax Expenses

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

Profit

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

Profit Attributable to the Owners of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

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

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

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

Inventories

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

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

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

	2nd quarter	
	2020	2019
Average inventory turnover days	**28.7**	34.7

Capital Expenditures and Investment

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

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

Borrowings and Bonds

We obtained borrowings (consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers) and issued bonds to fund our working capital and network expansion. As of June 30, 2020, the outstanding amount of our borrowings and bonds amounted to RMB11,558.9 million, a 10.1% decrease from RMB12,852.0 million as of December 31, 2019. The following table sets forth the maturity profile of our borrowings and bonds as of June 30, 2020:

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

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

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

Contingent Liabilities

As of June 30, 2020, we did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

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

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of June 30, 2020, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we used derivative financial instruments to hedge our exposure to foreign exchange risk.

FUTURE OUTLOOK AND STRATEGIES

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has complied with the code provisions in the CG Code during the six months ended June 30, 2020.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2020.

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

SPECIAL DIVIDEND AND INTERIM DIVIDEND

On June 18, 2020, the Board has resolved to declare a special dividend of HK$0.27 per share of the Company, which was paid on July 28, 2020. Please refer to the Company's announcement dated June 18, 2020 for details.

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.ydauto.com.cn).

The interim report of the Company for the six months ended June 30, 2020 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By Order of the Board
China Yongda Automobiles Services Holdings Limited
Cheung Tak On
Chairman

The PRC, August 25, 2020

As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr. Cheung Tak On, Mr. Cai Yingjie, Mr. Wang Zhigao, Mr. Xu Yue and Ms. Chen Yi; (ii) one non-executive Director, namely Mr. Wang Liqun; and (iii) three independent non-executive Directors, namely Ms. Zhu Anna Dezhen, Mr. Lyu Wei and Mr. Mu Binrui.