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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 ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2020

The board of directors (the “**Board**”) of China Yongda Automobiles Services Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”, “**we**” or “**us**”) for the year ended December 31, 2020, together with comparative figures for the year ended December 31, 2019.

GROUP FINANCIAL HIGHLIGHTS

- Comprehensive revenue including revenue from finance and insurance agency services was RMB69,633 million in 2020, a 9.1% increase from RMB63,801 million in 2019, of which, amount for the second half of 2020 was RMB41,208 million, a 20.6% increase over the same period last year.
- Comprehensive gross profit including revenue from finance and insurance agency services was RMB7,464 million in 2020, a 7.3% increase from RMB6,957 million in 2019, of which, amount for the second half of 2020 was RMB4,328 million, a 18.3% increase over the same period last year.
- Revenue from new vehicles was RMB58,229 million in 2020, a 10.0% increase from RMB52,935 million in 2019, of which, amount for the second half of 2020 was RMB34,648 million, a 21.8% increase over the same period last year.
- Revenue from new vehicles of luxury brands was RMB48,933 million in 2020, a 11.8% increase from RMB43,769 million in 2019, of which, amount for the second half of 2020 was RMB28,634 million, a 21.3% increase over the same period last year.

- Revenue of after-sales services in 2020 was RMB9,576 million, a 7.6% increase from RMB8,897 million in 2019, of which, amount for the second half of 2020 was RMB5,615 million, a 20.7% increase over the same period last year.
- Net profit was RMB1,733 million in 2020, a 10.5% increase from RMB1,569 million in 2019, of which, amount for the second half of 2020 was RMB1,161 million, a 47.6% increase over the same period last year.
- Net profit attributable to the owners of the Company was RMB1,625 million in 2020, a 10.3% increase from RMB1,473 million in 2019, of which, amount for the second half of 2020 was RMB1,095 million, a 48.2% increase over the same period last year.
- Net cash generated from operating activities was RMB5,729 million in 2020, a 39.4% increase from RMB4,109 million in 2019.
- Basic earnings per share was RMB0.85 in 2020 (2019: RMB0.80).

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

According to the information of China Association of Automobile Manufacturers, affected by the COVID-19 pandemic (the “**Pandemic**”) in 2020, the overall sales volume of passenger vehicles was 20.178 million units in 2020, representing a year-on-year decrease of 6.0%. Starting from the second quarter, with the control of the Pandemic, the strong recovery of household consumption and the influence of local policy support, domestic automobile consumption has gradually increased. In the second half of the year, overall sales volume of passenger vehicles reached 12.305 million units, an increase of 8.9% over the same period of last year. Among them, the sales of luxury vehicles are still stronger than that of the overall market. According to the information on the registration data, the total sales volume of new luxury vehicles in the year reached 3.440 million units, representing a year-on-year increase of 9.8%. Major luxury brands achieved rapid growth. Among them, BMW increased by 5.8% year-on-year, Audi increased by 6.7% year-on-year, and Mercedes-Benz increased by 9.0% year-on-year. Other luxury brands such as Porsche, which are mainly imported cars, maintained a good year-on-year growth trend despite the impact of the Pandemic. It is expected that in 2021, local governments successively introduced various supporting policies encouraging automobiles consumption, which particularly boosted the sales volume of luxury brands automobiles to a certain extent. We believe that the upgrading automobile consumption demand, extending product lines of luxury brands and diversified automobile finance products in the PRC will be the drivers for supporting the long-term growth of luxury brands automobiles in the future. It is expected that the main luxury brands automobiles will maintain good momentum of growth in 2021.

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

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 14.341 million units in 2020, representing a year-on-year decrease of 3.9%, among which, the transaction volume of pre-owned vehicles in China was 8.825 million units in the second half of the year, representing an increase of 9.5% compared to the same period in 2019. The average transaction price of pre-owned vehicles in China in 2020 was RMB62,000, while vehicles with an age of less than 6 years accounted for 61.7% of the total transaction volume. In April 2020, the Ministry of Finance of the PRC and State Taxation Administration announced that the rate of value-added tax for pre-owned vehicles shall be reduced to 0.5% from 2% since May 1, 2020, the tax reduction shall have positive effect on the regulation and development of pre-owned vehicles market. It is believed that with the further lifting of restricted relocation policy of pre-owned vehicles and the improving preowned vehicles business model, the pre-owned vehicles trade market in the PRC still has relatively large room of development in the future.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the PRC (中國公安部交通管理局), as at the end of 2020, the motor vehicle ownership in China reached 370 million units, of which 280 million are automobiles, and in terms of cities, the number of cities where the motor vehicle ownership exceeded 1 million units was 70 in total, an increase of 4 cities compared with the same period last year. Among them, there were 31 cities where the motor vehicle ownership exceeded 2 million units and 13 cities where the motor vehicle ownership exceeded 3 million units. In the future, the automobile consumption market in the PRC will show a differentiated development trend. For developed regions and cities with high ownership, there will form a strong demand for automobile consumption upgrades, a huge after-sales base and a booming pre-owned vehicle trading market; and for developing mid- and low-tier cities, it will experience the development process of continuous growth and expanding ownership.

BUSINESS REVIEW

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

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

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

Rapid Growth in New Vehicle Sales Business

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

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

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

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

Steady Growth in After-sales Services

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

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

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

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

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

Further Improvement of Extended Businesses

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

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

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

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

Continuous Improvement of Profitability of Pre-owned Vehicle Business

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

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

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

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

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

Rapid Development of New Energy Vehicle Business

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

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

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

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

Continuous Optimization and Improvement of Network

In 2020, in terms of network, we continued to work on the network expansion of major luxury brands, strengthening the advantages of brand portfolio in key areas while continuously optimizing and improving network structure. Through self-built outlets and acquisitions and mergers, we consolidated the market share of existing major luxury brands and continued to expand the network layout of other major luxury brands. At present, we have achieved full coverage of mainstream luxury brands in Shanghai. In addition, we actively planned to cooperate with the outlets of mainstream new energy brands, and paid special attention to the exploration and attempt of new energy after-sales service business.

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

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

In 2020, we also actively promoted the evaluation and disposal of existing assets. Based on the evaluation results of comprehensive asset evaluation system, we took the initiative to close some outlets with weaker profitability. The Company intended to continue to carry out comprehensive evaluation of existing outlets, further focusing on major luxury brands and key regional markets; continuously enhanced the functional expansion of existing properties, and reserved space requirements for new energy after-sales business; and continuously improved the return on assets of the Company in combination with corporate operation improvements.

In 2020, we continued to operate our extensive network with the Yangtze River Delta as the center and expanded our network to other regions in China, such as Northern China, Central China, Southwestern China and Southern China. As of December 31, 2020, our total number of outlets that were opened amounted to 238. Such outlets spread across 4 municipalities and 19 provinces in China, including 213 opened manufacturer authorized outlets, 25 opened non-manufacturer authorized outlets. Set out below are the details of our outlets as at December 31, 2020:

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

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

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

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

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

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

We continued to advance our path of digital transformation and innovation, gradually improved the core business financial system, smart retail system, customer service applet, effectively applied the diversified functions of digital marketing, operation, collaboration, customer connection and intelligent data analysis, and enhanced user interaction experience through informatization tools to more comprehensively meet the car purchase demand of users and continuously improve the efficiency of business development. Through the linkage of digital tools and business, we empowered the business and built an interconnected, professional and efficient leading digital automotive service ecosystem in China. As the continuous implementation of digital applications of the Company, particularly subsequent to the Pandemic in 2020, the Company actively reformed and innovated via digital tools, and effectively carried out omni-channel marketing activities oriented by “new customers as the lead, customer retention as the support, and activation of lost customers loss” to achieve the growth of the Company’s overall operating income.

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

FUTURE OUTLOOK AND STRATEGIES

It is expected that in the future, driven by the dual factors of the rigid demand of consumption upgrading and boosting consumption policy orientation, the consumption market of luxury passenger vehicles in China will maintain steady growth and the proportion of market share of luxury automobiles will further increase. The implementation of new taxation policy for pre-owned vehicles and the rising passenger vehicle ownership will also bring more development opportunities to the automotive aftermarket businesses, such as pre-owned vehicles and vehicle maintenance; meanwhile, as the vehicle electrical and intelligent development is speeding up, the customers' attention and acceptance to the new energy automobiles will be increasing, and the production and sales of new energy automobiles will step into the period of relatively rapid growth, which will bring new development opportunities to the industry.

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

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

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

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

Looking forward, targeting the rapid growth in the principal business of the automotive services, we will benchmark from the three dimensions of industry, region and brand, determine and improve data-based management, increase business scale and asset operation efficiency, and reinforce our leading position. We will focus on improving operational management, strengthen the local retail and inventory turnover management of new vehicles, promote the growth of production capacity of the after-sales services and continuous enhancement of the service absorption rate, continue to expand new media marketing channels such as live broadcast platforms and maintain the solid retention customers and services as well as value management. We will optimize the Company's appraisal management and incentive mechanism, strengthen the structure construction of the young management and future professional talent reserves of the Company in the Internet, new energy and pre-owned vehicle fields, maintain a healthy and stable cash flows and gearing ratio of the Company. We will also strengthen the construction of corporate risk control, actively practice corporate social responsibility and enhance the Company's brand image, so as to achieve a higher-quality operation and management, sound returns for our shareholders as well as sustainable development goals of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue			
Goods and services	3A	67,584,976	61,700,114
Rental		552,004	517,955
Interests		396,870	489,311
		<hr/>	<hr/>
Total Revenue	3B	68,533,850	62,707,380
Cost of sales and services		(62,168,526)	(56,843,461)
		<hr/>	<hr/>
Gross profit		6,365,324	5,863,919
Other income and other gains and losses	4	1,178,441	1,177,263
Distribution and selling expenses		(3,003,209)	(2,732,514)
Administrative expenses		(1,615,976)	(1,489,818)
		<hr/>	<hr/>
Profit from operations		2,924,580	2,818,850
Share of (loss) profit of joint ventures		(1,915)	8,792
Share of profit of associates		47,643	26,288
Finance costs		(675,515)	(778,148)
		<hr/>	<hr/>
Profit before tax	6	2,294,793	2,075,782
Income tax expense	5	(561,708)	(506,728)
		<hr/>	<hr/>
Profit for the year		<u>1,733,085</u>	<u>1,569,054</u>
Profit for the year attributable to:			
Owners of the Company		1,624,961	1,472,984
Non-controlling interests		108,124	96,070
		<hr/>	<hr/>
		<u>1,733,085</u>	<u>1,569,054</u>
Earnings per share – basic	8	<u>RMB0.85</u>	<u>RMB0.80</u>
Earnings per share – diluted	8	<u>RMB0.85</u>	<u>RMB0.80</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	1,733,085	1,569,054
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”)	<u>2,289</u>	<u>1,331</u>
Total comprehensive income for the year	<u><u>1,735,374</u></u>	<u><u>1,570,385</u></u>
Total comprehensive income for the year attributable to:		
Owners of the Company	1,627,250	1,474,315
Non-controlling interests	<u>108,124</u>	<u>96,070</u>
	<u><u>1,735,374</u></u>	<u><u>1,570,385</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		6,012,300	6,105,406
Right-of-use assets	9	2,992,826	3,032,974
Goodwill		1,396,802	1,236,585
Other intangible assets		2,333,346	2,064,888
Deposits paid for acquisition of property, plant and equipment		78,390	149,156
Deposits paid for acquisition of land use rights		41,153	41,153
Equity instruments at FVTOCI		12,947	10,658
Financial assets at fair value through profit or loss (“FVTPL”)		354,934	340,542
Interests in joint ventures		92,795	97,415
Interests in associates		502,155	462,167
Finance lease receivables	10	425,313	1,385,578
Loan receivables	11	4,618	33,356
Deferred tax assets		208,976	209,507
Other assets	12	76,195	30,000
		<u>14,532,750</u>	<u>15,199,385</u>
Current assets			
Inventories	13	4,855,794	5,626,803
Finance lease receivables	10	1,988,522	2,193,384
Loan receivables	11	109,303	321,551
Trade and other receivables	12	7,510,504	6,847,000
Financial assets at FVTPL		302,525	–
Amounts due from related parties		180,018	152,134
Cash in transit		94,939	150,872
Time deposits		363,175	322,903
Restricted bank balances		1,720,094	2,450,362
Bank balances and cash		3,079,867	2,210,423
		<u>20,204,741</u>	<u>20,275,432</u>

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>14</i>	5,806,835	7,070,534
Amounts due to related parties		32,279	2,809
Income tax liabilities		1,057,033	729,718
Borrowings		6,433,683	10,129,408
Contract liabilities		2,369,198	1,725,445
Lease liabilities		197,571	174,747
Super short-term commercial papers	<i>15</i>	99,951	–
Derivative financial liabilities		47,029	12,606
		<u>16,043,579</u>	<u>19,845,267</u>
Net current assets		<u>4,161,162</u>	<u>430,165</u>
Total assets less current liabilities		<u>18,693,912</u>	<u>15,629,550</u>
Non-current liabilities			
Borrowings		3,220,732	2,722,575
Lease liabilities		1,749,194	1,658,623
Other liabilities	<i>14</i>	11,282	31,961
Deferred tax liabilities		705,895	659,301
Medium-term note	<i>16</i>	367,543	–
Derivative financial liabilities		283,607	104,493
		<u>6,338,253</u>	<u>5,176,953</u>
Net assets		<u>12,355,659</u>	<u>10,452,597</u>
Capital and reserves			
Share capital		16,306	15,080
Reserves		<u>11,815,430</u>	<u>9,866,460</u>
Equity attributable to owners of the Company		11,831,736	9,881,540
Non-controlling interests		<u>523,923</u>	<u>571,057</u>
Total equity		<u>12,355,659</u>	<u>10,452,597</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework* in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

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

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

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

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue from contracts with customers

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

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.

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

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Sale of passenger vehicles 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	58,014,314	9,570,662	52,811,601	8,888,513
Inter-segment	214,296	5,768	123,077	8,109
Total	58,228,610	9,576,430	52,934,678	8,896,622
Eliminations	(214,296)	(5,768)	(123,077)	(8,109)
Revenue from contracts with customers	<u>58,014,314</u>	<u>9,570,662</u>	<u>52,811,601</u>	<u>8,888,513</u>

(ii) Performance obligations for contracts with customers

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

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

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

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

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

3B. OPERATING SEGMENTS

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

The Group's reportable segments are as follows:

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

Segment revenue and results

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

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

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

Notes:

- a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2020 was approximately RMB67,805,040,000 (2019: RMB61,831,300,000) which included the sales of passenger vehicles amounting to approximately RMB58,228,610,000 (2019: RMB52,934,678,000) and the after-sales services revenue amounting to approximately RMB9,576,430,000 (2019: RMB8,896,622,000).
- b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2020 was approximately RMB61,844,919,000 (2019: RMB56,460,006,000) which included the cost of sales of passenger vehicles amounting to approximately RMB56,674,572,000 (2019: RMB51,688,484,000) and the cost of after-sales services amounting to approximately RMB5,170,347,000 (2019: RMB4,771,522,000).
- c. The amount excludes the services income generated from the passenger vehicle sales and services segment, which is included in the segment results above.
- d. The segment revenue of proprietary finance business mainly includes finance leasing and small loan services. The segment cost of proprietary finance business is mainly composed of finance costs.

The accounting policies of the operating segments are the same as those of the Group. 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 (loss) profit of joint ventures and share of profit of associates. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the executive directors of the Company.

Geographical information

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

Information about major customers

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

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

Notes:

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

5. INCOME TAX EXPENSE

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

6. PROFIT BEFORE TAX

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

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

7. DIVIDENDS

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

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

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u>1,624,961</u>	<u>1,472,984</u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,909,805	1,839,007
Effect of dilutive potential ordinary shares:		
Share options	<u>10,816</u>	<u>4,978</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,920,621</u>	<u>1,843,985</u>

9. RIGHT-OF-USE ASSETS

	Leasehold land <i>RMB'000</i>	Leased properties <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2020			
Carrying amount	1,394,230	1,638,744	3,032,974
As at 31 December 2020			
Carrying amount	1,264,347	1,728,479	2,992,826
For the year ended 31 December 2020			
Depreciation charge	(45,411)	(238,762)	(284,173)
For the year ended 31 December 2019			
Depreciation charge	<u>(44,000)</u>	<u>(203,380)</u>	<u>(247,380)</u>
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date from initial application of IFRS 16		52,541	28,816
Total cash outflow for leases		(369,896)	(291,219)
Additions to right-of-use assets (<i>Note</i>)		<u>355,311</u>	<u>486,169</u>

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

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

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

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

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Analyzed as:		
Current	1,988,522	2,193,384
Non-current	<u>425,313</u>	<u>1,385,578</u>
	<u><u>2,413,835</u></u>	<u><u>3,578,962</u></u>

	Minimum lease payments		Present value of minimum lease payments	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Finance lease receivables comprise:				
Within one year	2,157,447	2,366,534	1,988,522	2,193,384
In more than one year but not more than two years	485,007	1,005,465	425,430	862,543
In more than two years but not more than five years	<u>20,105</u>	<u>574,236</u>	<u>11,900</u>	<u>531,254</u>
	2,662,559	3,946,235	2,425,852	3,587,181
Less: unearned finance income	(236,707)	(359,054)	N/A	N/A
Less: allowances for impairment loss under expected credit loss ("ECL") model	<u>(12,017)</u>	<u>(8,219)</u>	<u>(12,017)</u>	<u>(8,219)</u>
Present value of minimum lease payment receivables	<u><u>2,413,835</u></u>	<u><u>3,578,962</u></u>	<u><u>2,413,835</u></u>	<u><u>3,578,962</u></u>

At December 31, 2020, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB11,282,000 (2019: RMB31,961,000) and RMB54,844,000 (2019: RMB45,027,000) were recognized as other non-current liabilities and current liabilities, respectively (Note 14).

Interest rates implicit in the above finance leases range from 9.84% to 13.12% per annum (2019: 10.38% to 11.85% per annum).

Finance lease receivables are secured over the motor vehicles leased. The Group is permitted to sell the collateral in the absence of default by the lessees.

11. LOAN RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Guaranteed but unsecured loans	98,520	193,067
Secured but unguaranteed loans	<u>19,749</u>	<u>165,054</u>
Gross loan receivables	118,269	358,121
Less: allowances for impairment losses under ECL model	<u>(4,348)</u>	<u>(3,214)</u>
Net loan receivables	<u><u>113,921</u></u>	<u><u>354,907</u></u>
Analyzed as:		
Current	109,303	321,551
Non-current	<u>4,618</u>	<u>33,356</u>
	<u><u>113,921</u></u>	<u><u>354,907</u></u>

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fixed-rate loan receivables:		
Within one year	109,303	321,551
In more than one year but not more than two years	4,128	28,708
In more than two years but not more than three years	<u>490</u>	<u>4,648</u>
	<u><u>113,921</u></u>	<u><u>354,907</u></u>

The ranges of effective interest rates on the Group's loan receivables are as follows:

	2020	2019
Effective interest rate per annum:		
Fixed-rate borrowings	<u>4.5% to 18.0%</u>	<u>4.0% to 24.0%</u>

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

12. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

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

- a. In general, deposits and advances are required and no credit period is allowed for sales of automobiles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicles sales and after-sales services, a credit period not exceeding 60 days is granted;
- b. For automobile operating lease services, the Group typically allows a credit period of 30 to 90 days to its customers.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current		
Trade receivables	1,019,557	995,924
Bills receivables	<u>1,827</u>	<u>230</u>
	<u>1,021,384</u>	<u>996,154</u>
Prepayments and other receivables comprise:		
Prepayments and deposits to suppliers	2,999,115	2,209,191
Deposits to entities controlled by suppliers for borrowings	178,846	181,131
Prepayments and rental deposits on properties	65,311	44,064
Rebate receivables from suppliers	2,343,564	2,454,664
Finance and insurance commission receivables	194,624	187,215
Staff advances	12,164	17,758
Value-added tax recoverable	323,580	454,151
Receivables from former shareholders of acquired subsidiaries	66,728	66,728
Advances to non-controlling interests (<i>note a</i>)	64,891	35,300
Advances to independent third parties (<i>note a</i>)	7,520	15,923
Others	232,777	191,141
Less: allowance for impairment loss under ECL model	<u>—</u>	<u>(6,420)</u>
	<u>6,489,120</u>	<u>5,850,846</u>
	<u>7,510,504</u>	<u>6,847,000</u>
Non-current		
Other assets		
Receivables from disposal of land use right	76,195	—
Advances to non-controlling interests	<u>—</u>	<u>30,000</u>
	<u>76,195</u>	<u>30,000</u>

Note:

- a. Except for advance to non-controlling interests of RMB30,000,000 (2019: RMB30,000,000) which carried at a fixed interest rate of 4.9% per annum and was payable upon the maturity due on December 5, 2021, the rest balances were unsecured, interest-free and repayable on demand.

As at January 1, 2019, December 31, 2019 and December 31, 2020, trade receivables from contracts with customers amounted to RMB734,534,000, RMB927,212,000 and RMB941,397,000 respectively..

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 90 days	<u>1,021,384</u>	<u>996,154</u>

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

13. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Motor vehicles	4,362,604	5,068,922
Spare parts and accessories	<u>493,190</u>	<u>557,881</u>
	<u>4,855,794</u>	<u>5,626,803</u>

As at December 31, 2020, vehicle certificates (“車輛合格證”) for certain of the Group's inventories with an aggregate carrying amount of RMB1,678,657,000 (2019: RMB1,198,342,000) were pledged as securities for the Group's interest-bearing bank and other borrowings.

As at December 31, 2020, vehicle certificates of the Group's inventories with an aggregate carrying amount of RMB1,450,561,000 (2019: RMB2,588,302,000) were pledged as security for the Group's bills payables.

14. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current		
Trade payables	925,650	694,997
Bills payables	<u>3,798,958</u>	<u>5,372,084</u>
	<u>4,724,608</u>	<u>6,067,081</u>
Other payables		
Other tax payables	165,533	157,795
Payable for acquisition of property, plant and equipment	53,492	43,341
Salary and welfare payables	212,352	83,154
Accrued interest	32,453	46,120
Accrued audit fee	5,320	4,960
Consideration payables for acquisition of subsidiaries (<i>note</i>)	69,377	228,160
Consideration payables for acquisition of non-controlling interests (<i>note</i>)	26,186	–
Advance from non-controlling interests (<i>note</i>)	137,892	83,902
Dividend payable to non-controlling interests	1,932	1,976
Deposits received from customers under finance leases (<i>Note 10</i>)	54,844	45,027
Other accrued expenses	99,592	116,422
Others	<u>223,254</u>	<u>192,596</u>
	<u>1,082,227</u>	<u>1,003,453</u>
	<u>5,806,835</u>	<u>7,070,534</u>
Non-current		
Deposits received from customers under finance leases (<i>Note 10</i>)	<u>11,282</u>	<u>31,961</u>

Note: The balances were 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 invoice date at the end of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 90 days	3,807,534	4,404,167
91 to 180 days	<u>917,074</u>	<u>1,662,914</u>
	<u>4,724,608</u>	<u>6,067,081</u>

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.

Movements of the super short-term commercial papers during the year ended December 31, 2020 are as follows:

	<i>RMB'000</i>
Issued on April 23, 2020	100,000
Less: capitalized transaction costs in relation to issuance	(550)
Add: interest expense – amortization of transaction costs	<u>501</u>
At December 31, 2020	<u><u>99,951</u></u>

16. 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 notes of an aggregate registered amount of RMB1.2 billion. According to the notice, the registered amount was effective for two years commencing from the date of issue.

On March 17, 2020, Shanghai Yongda Investment issued a medium-term note, with an aggregate registered amount of RMB370 million. The principal of the medium-term note shall be repaid at maturity date, while the interest shall be paid annually.

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

Movement of the medium-term note during the year ended December 31, 2020 was as follows:

	<i>RMB'000</i>
Issued on March 17, 2020	370,000
Less: capitalized transaction costs in relation to issuance	(3,330)
Add: interest expense – amortization of transaction costs	<u>873</u>
At December 31, 2020	<u><u>367,543</u></u>

FINANCIAL REVIEW

Revenue

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

	For the year ended December 31,					
	2020			2019		
	Amount	Sales Volume	Average Selling Price	Amount	Sales Volume	Average Selling Price
	(RMB'000)	(Units)	(RMB'000)	(RMB'000)	(Units)	(RMB'000)
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	48,932,854	135,679	361	43,769,195	128,628	340
Mid- to high-end brands	9,295,756	68,917	135	9,165,483	68,754	133
Subtotal	<u>58,228,610</u>	<u>204,596</u>	<u>285</u>	<u>52,934,678</u>	<u>197,382</u>	<u>268</u>
After-sales services	9,576,430			8,896,622		
Automobile rental services	564,133			527,776		
Proprietary finance business	406,248			510,642		
Less: inter-segment eliminations	<u>(241,571)</u>			<u>(162,338)</u>		
Total	<u>68,533,850</u>			<u>62,707,380</u>		

	Second half of 2020			Second half of 2019		
	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	28,634,374	77,545	369	23,599,754	67,647	349
Mid- to high-end brands	6,013,345	45,077	133	4,852,524	34,972	139
Subtotal	<u>34,647,719</u>	<u>122,622</u>	<u>283</u>	<u>28,452,278</u>	<u>102,619</u>	<u>277</u>
After-sales services	5,614,870			4,652,275		
Automobile rental services	315,272			303,490		
Proprietary finance business	183,302			264,268		
Less: inter-segment eliminations	<u>(177,362)</u>			<u>(70,730)</u>		
Total	<u>40,583,801</u>			<u>33,601,581</u>		

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

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

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

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

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

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

Revenue from the proprietary finance business segment was RMB406.2 million for the year ended December 31, 2020, a 20.4% decrease from RMB510.6 million for the year ended December 31, 2019. Revenue from the proprietary finance business segment was RMB183.3 million for the second half of 2020, a 30.6% decrease from RMB264.3 million for the second half of 2019, which was primarily attributable to the structural adjustment of the Company which led to the decrease in proprietary finance ratio.

Cost of Sales and Services

Cost of sales and services was RMB62,168.5 million for the year ended December 31, 2020, a 9.4% increase from RMB56,843.5 million for the year ended December 31, 2019. Cost of sales and services was RMB36,880.5 million for the second half of 2020, a 20.9% increase from RMB30,509.8 million for the second half of 2019, which was primarily due to the increase in cost of sales and after-sale services of luxury and ultra-luxury brand passenger vehicles.

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB56,674.6 million for the year ended December 31, 2020, a 9.6% increase from RMB51,688.5 million for the year ended December 31, 2019. Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB33,715.5 million for the second half of 2020, a 21.3% increase from RMB27,790.9 million for the second half of 2019. The increase was basically in line with the increase in our revenue from our sales of passenger vehicles.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB5,170.3 million for the year ended December 31, 2020, a 8.4% increase from RMB4,771.5 million for the year ended December 31, 2019. Cost of after-sales services from the passenger vehicle sales and services segment was RMB3,033.2 million for the second half of 2020, a 22.1% increase from RMB2,483.5 million for the second half of 2019. The increase was basically in line with the increase in our revenue of after-sales services.

Cost of services for the automobile rental services segment was RMB438.3 million for the year ended December 31, 2020, a 11.3% increase from RMB393.7 million for the year ended December 31, 2019. Cost of services for the automobile rental services segment was RMB249.2 million for the second half of 2020, a 8.1% increase from RMB230.5 million for the second half of 2019. The increase was higher than the increase in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB122.3 million for the year ended December 31, 2020, a 26.3% decrease from RMB166.1 million for the year ended December 31, 2019, and the cost of services for the proprietary finance business segment was RMB51.6 million for the second half of 2020, a 30.9% decrease from RMB74.6 million for the second half of 2019. The decrease was lower than the decrease of our revenue from the proprietary finance business segment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB6,365.3 million for the year ended December 31, 2020, a 8.6% increase from RMB5,863.9 million for the year ended December 31, 2019. Gross profit was RMB3,703.3 million for the second half of 2020, a 19.8% increase from RMB3,091.8 million for the second half of 2019.

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

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

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

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

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

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

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

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

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

Other Income and Other Gains and Losses

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

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

Distribution and Selling Expenses and Administrative Expenses

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

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

Operating Profit

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

Finance Costs

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

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

Profit before Tax

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

Income Tax Expenses

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

Profit

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

Profit Attributable to the Owners of the Company

As a result of the foregoing, the profit attributable to the owners of the Company was RMB1,625.0 million for the year ended December 31, 2020, a 10.3% increase from RMB1,473.0 million for the year ended December 31, 2019. The profit attributable to the owners of the Company was RMB1,095.0 million for the second half of 2020, a 48.2% increase from RMB738.9 million for the second half of 2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

For the year ended December 31, 2020, our net cash generated from operating activities was RMB5,729.0 million, of which the net cash generated from operating activities of automobile sales and services business was RMB4,338.7 million, and the net cash generated from operating activities of proprietary finance business was RMB1,390.3 million. For the year ended December 31, 2019, our net cash from operating activities was RMB4,108.7 million, of which the net cash generated from operating activities of automobile sales and services business was RMB3,972.3 million, and the net cash generated from operating activities of proprietary finance business was RMB136.4 million. Compared to the year ended December 31, 2019, the net cash generated from operating activities of automobile sales and services business increased by RMB366.4 million, and the net cash generated from operating activities of proprietary finance business increased by RMB1,253.9million.

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

For the year ended December 31, 2020, our net cash used in financing activities was RMB3,191.2 million, which mainly included the net repayment of bank loans and other borrowings of RMB3,011.1 million, the payment of interest of RMB692.7 million, the payment of dividends of RMB486.5 million, the repayments of leases liabilities of RMB207.5 million and the acquisition of minority shareholders' equity in subsidiaries of RMB264.3 million, which was partially offset by the proceeds from issuance of medium-term notes and super short-term commercial papers of RMB470.0 million and the net proceeds from top-up issuance of new shares of RMB893.0 million. For the year ended December 31, 2019, our net cash used in financing activities was RMB1,822.6 million.

Inventories

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

Our inventories were RMB4,855.8 million as of December 31, 2020, a 13.7% decrease from RMB5,626.8 million as of December 31, 2019. The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended December 31,	
	2020	2019
Average inventory turnover days ⁽¹⁾	<u>30.8</u>	<u>36.8</u>
	Second half of the year	
	2020	2019
Average inventory turnover days ⁽²⁾	<u>25.4</u>	<u>31.1</u>

Notes:

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

Capital Expenditures and Investment

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

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

Note:

(1) Excluding inventories of RMB212.3 million.

Borrowings and Bonds

We obtained borrowings (consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers) and issued bonds to fund our working capital and network expansion. As of December 31, 2020, the outstanding amount of our borrowings and bonds amounted to RMB10,121.9 million, a 21.2% decrease from RMB12,852.0 million as of December 31, 2019. The following table sets forth the maturity profile of our borrowings and bonds as of December 31, 2020:

**As of December
31, 2020**
(RMB million)

Within one year	6,533.6
One to two years	2,421.8
Two to five years	1,166.5
	<hr/>
Total	10,121.9
	<hr/> <hr/>

As of December 31, 2020, our net gearing ratio (being net liabilities divided by total equity) was 54.1% (as of December 31, 2019: 98.7%). Net liabilities represent borrowings, super short-term commercial papers and medium-term notes minus cash and cash equivalents and time deposits.

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

Contingent Liabilities

As of December 31, 2020, we did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

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

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of December 31, 2020, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we used derivative financial instruments to hedge our exposure to foreign exchange risk.

Use of proceeds

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

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

Impact of Novel Coronavirus Pandemic

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

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

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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and has complied with the code provisions in the CG Code during the year ended December 31, 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**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the year ended December 31, 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

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

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. The Audit and Compliance Committee considered that the annual financial results for the year ended December 31, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The auditors of the Company, Deloitte Touche Tohmatsu, has agreed that the figures in respect of the Group’s annual results for the year ended December 31, 2020 contained in this announcement are consistent with the amounts set out in the Group’s audited consolidated financial statements for the year.

RECORD DATE FOR ANNUAL GENERAL MEETING

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

EVENTS AFTER REPORTING PERIOD

As of the date of this announcement, there is no significant event subsequent to December 31, 2020 which is required to be disclosed by the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report for the year ended December 31, 2020 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company 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

PRC, 16 March 2021

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 Liquan; and (iii) three independent non-executive Directors, namely Ms. Zhu Anna Dezhen, Mr. Lyu Wei and Mr. Mu Binrui.