China Yongda Automobiles Services Holdings Limited
（中國永達汽車服務控股有限公司）
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03669)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the six months ended June 30, 2021, together with comparative figures for the six months ended June 30, 2020.

FINANCIAL HIGHLIGHTS OF THE GROUP

- Comprehensive revenue including revenue from finance and insurance agency services for the six months ended June 30, 2021 was RMB41,126 million, a 45.6% increase from RMB28,249 million for the six months ended June 30, 2020.

- Comprehensive gross profit including revenue from finance and insurance agency services for the six months ended June 30, 2021 was RMB4,331 million, a 43.6% increase from RMB3,016 million for the six months ended June 30, 2020.

- Revenue from new vehicles for the six months ended June 30, 2021 was RMB33,978 million, a 44.1% increase from RMB23,581 million for the six months ended June 30, 2020.

- Revenue from new vehicles of luxury brands for the six months ended June 30, 2021 was RMB28,767 million, a 41.7% increase from RMB20,298 million for the six months ended June 30, 2020.

- Revenue of after-sales services for the six months ended June 30, 2021 was RMB5,518 million, a 39.3% increase from RMB3,962 million for the six months ended June 30, 2020.

- Transactional volume of pre-owned vehicles for the six months ended June 30, 2021 was 33,104 units, a 71.9% increase from 19,256 units for the six months ended June 30, 2020.

- Net profit for the six months ended June 30, 2021 was RMB1,247 million, a 118.1% increase from RMB572 million for the six months ended June 30, 2020.

- Net profit attributable to the owners of the Company for the six months ended June 30, 2021 was RMB1,172 million, a 121.1% increase from RMB530 million for the six months ended June 30, 2020.

- Turnover days of inventories for the six months ended June 30, 2021 was 23.4 days, a 13.6 days decrease from 37.0 days for the six months ended June 30, 2020.

- Net cash generated from operating activities for the six months ended June 30, 2021 was RMB3,827 million, a 37.6% increase from RMB2,781 million for the six months ended June 30, 2020.

- Basic earnings per share for the six months ended June 30, 2021 was RMB0.59 (six months ended June 30, 2020: RMB0.29).

MARKET REVIEW

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

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

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

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

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

BUSINESS REVIEW

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

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

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

Rapid Growth in New Vehicle Sales Business

In the first half of 2021, our sales volume of new vehicles was 115,834 units, increased by 41.3% year-on-year over 2020. Our sales volume of new vehicles of luxury brands increased by 32.5% over the same period last year to 77,018 units. Among them, the sales volume of the BMW and Porsche brands increased by 47.5% and 24.2% respectively over the same period last year, both have achieved a higher growth rate than that of the market. With the strong growth trend of the domestic luxury brand consumption market, our sales scale will also be further expanded.

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

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

In the first half of 2021, the turnover day of our new vehicle was 23.0 days, a reduction of 13.4 days year-on-year compared to the first half of 2020, and a reduction of 2.0 days compared to the second half of 2020, of which the turnover day in the first quarter was 24.9 days, and the turnover day in the second quarter was 22.3 days. By strengthening the forecast analysis of the sales supply and demand plan, we have achieved continuous improvement in the inventory and forward resources and order matching, ensured that the inventory structure is continuously optimized and in line with market demand. At the same time, through the management and assessment of the amount occupied by the inventory, and the strengthening of the refined management of the purchase end and the sales end, the delivery cycle of vehicles has been effectively shortened, and the efficiency of inventory turnover has been greatly improved.

Steady Growth in After-sales Services

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

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

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

In terms of inventory efficiency control, on the premise of ensuring the punctuality of supply delivery, we have continued to optimize the inventory structure of spare parts and decorating supplies. As of the end of the first half of 2021, our inventory turnover day was 31.7 days, representing a decrease of 14.9 days compared with corresponding period of 2020.

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

Further Improvement of Extended Businesses

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

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

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

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

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

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

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

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

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

Rapid Development of New Energy Vehicle Business

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

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

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

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

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

Continuous Optimization and Improvement of Network

In terms of network, we continued to work on the network expansion of major luxury brands, strengthening the advantages of brand portfolio in key areas while continuously optimizing and improving network structure. Through self-built outlets and acquisitions and mergers, we consolidated the market share of existing major luxury brands and continued to expand the network layout of other major luxury brands. In the first half of 2021, one of our Porsche 4S stores in Kunshan, Jiangsu was put into operation. In addition, we proactively planned to cooperate with outlets of mainstream new energy brands, took initiative to explore and attempt a new asset-light cooperation mode, and constantly study brand new scenarios of new energy after-sales service business. In the first half of 2021, one Tesla maintenance center, one Ford new energy showroom and one BYD new energy showroom were put into operation.

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

In terms of merger and acquisition, we have always considered it as alternative main channel for network expansion. We considered the brand value, regional advantage and existing and future profitability and meanwhile took into account that the acquisition price is kept within a reasonable range. At present, we are negotiating for several proposed acquisition projects.

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

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

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

Continuous Improvement in Management

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

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

In terms of customer operation and management, the Company always considers that customers are the origin and valuable assets to the sustainable development of the Company. We have been devoting ourselves in management reform of customer demand-driven business, realizing value preservation and appreciation of customer's assets. In the first half of 2021, we continued to promote the digital construction of the customer operations of the Group, realized the comprehensive connection and match between the CDP customer information smart platform and the financial system, initially completed the establishment of the data pool of the customers, vehicles and outlets, laid a solid foundation for further improving customer operations and management. Besides, the Company keeps connection and maintenance with customers through flexible and diverse digital channels, and comprehensively promotes online customer connection and services to ensure the security of customer information and the improvement of customer service experience.

We continued to advance our path of digital transformation and innovation, gradually improved the core business financial system, smart retail system, customer service applet, effectively applied the diversified functions of digital marketing, operation, collaboration, customer connection and intelligent data analysis, and enhanced user interaction experience through informatization tools to more comprehensively meet the car purchase demand of users and continuously improve the efficiency of business development. Through the linkage of digital tools and business, we empowered the business and built an interconnected, professional and efficient leading digital automotive service ecosystem in China. In 2021, we will continue to realize the transformation of the Company's business management from informatization to digitization through digital construction. We will continuously improve the efficiency of operation and management internally, and continuously improve the user service experience externally, and strive to build the future of digital intelligence Yongda.

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

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

	NOTES	**Six months ended June 30, 2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Unaudited and restated)
Continuing operations			
Revenue			
Goods and services	*3A*	**40,261,782**	27,488,472
Rental		**243,797**	243,043
Interests		**–**	29,590
Total revenue	*3B*	**40,505,579**	27,761,105
Cost of sales and services		**(36,794,743)**	(25,233,057)
Gross profit		**3,710,836**	2,528,048
Other income and other gains and losses	*4*	**668,297**	524,916
Distribution and selling expenses		**(1,636,665)**	(1,322,113)
Administrative expenses		**(908,800)**	(711,395)
Profit from operations		**1,833,668**	1,019,456
Share of profits (losses) of joint ventures		**1,946**	(3,325)
Share of profits of associates		**37,348**	27,867
Finance costs		**(279,165)**	(375,532)
Profit before tax	*5*	**1,593,797**	668,466
Income tax expense	*6*	**(393,339)**	(162,659)
Profit for the period from continuing operations		**1,200,458**	505,807
Discontinued operations			
Profit for the period from discontinued operations	*15*	**46,390**	65,909
Profit for the period		**1,246,848**	571,716

	NOTES	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Profit for the period attributable to the owners of the Company			
-from continuing operations		**1,125,119**	464,056
-from discontinued operations		**46,390**	65,909
		1,171,509	529,965
Profit for the period attributable to the non-controlling interests			
-from continuing operations		**75,339**	41,751
		1,246,848	571,716
EARNINGS PER SHARE			
From continuing and discontinued operations			
– basic	*8*	**RMB0.59**	RMB0.29
– diluted	*8*	**RMB0.59**	RMB0.29
From continuing operations			
– basic	*8*	**RMB0.57**	RMB0.25
– diluted	*8*	**RMB0.57**	RMB0.25

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	NOTES	**June 30, 2021** *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**5,907,171**	6,012,300
Right-of-use assets	*9*	**2,989,030**	2,992,826
Goodwill		**1,402,952**	1,396,802
Other intangible assets		**2,237,450**	2,333,346
Deposits paid for acquisition of property, plant and equipment		**79,693**	78,390
Deposits paid for acquisition of land use rights		**34,653**	41,153
Equity instruments at FVTOCI		**15,540**	12,947
Financial assets at fair value through profit or loss ("**FVTPL**")		**359,059**	354,934
Interests in joint ventures		**69,054**	92,795
Interests in associates		**527,358**	502,155
Finance lease receivables		**116**	425,313
Loan receivables		**1,529**	4,618
Deferred tax assets		**229,886**	208,976
Other assets	*11*	**76,195**	76,195
		13,929,686	14,532,750
Current assets			
Inventories	*10*	**4,592,161**	4,855,794
Finance lease receivables		**11,981**	1,988,522
Loan receivables		**50,825**	109,303
Trade and other receivables	*11*	**6,332,993**	7,510,504
Financial assets at FVTPL		**212,623**	302,525
Amounts due from related parties		**190,289**	180,018
Cash in transit		**106,289**	94,939
Time deposits		**28,100**	363,175
Restricted bank balances		**838,817**	1,720,094
Bank balances and cash		**3,786,385**	3,079,867
		16,150,463	20,204,741
Assets classified as held for sale	*15*	**2,564,583**	–
		18,715,046	20,204,741

	NOTES	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Current liabilities			
Trade and other payables	*12*	**4,476,769**	5,806,835
Amounts due to related parties		**8,206**	32,279
Income tax liabilities		**1,126,180**	1,057,033
Borrowings		**5,640,770**	6,433,683
Contract liabilities		**2,323,760**	2,369,198
Lease liabilities		**166,891**	197,571
Super short-term commercial papers	*13*	**–**	99,951
Derivative financial liabilities		**316,700**	47,029
		14,059,276	16,043,579
Liabilities associated with assets classified as held for sale	*15*	**1,955,947**	–
		16,015,223	16,043,579
Net current assets		**2,699,823**	4,161,162
Total assets less current liabilities		**16,629,509**	18,693,912
Non-current liabilities			
Borrowings		**812,255**	3,220,732
Lease liabilities		**1,793,785**	1,749,194
Other liabilities	*12*	**49**	11,282
Deferred tax liabilities		**678,201**	705,895
Medium-term note	*14*	**368,098**	367,543
Derivative financial liabilities		**–**	283,607
		3,652,388	6,338,253
Net assets		**12,977,121**	12,355,659
Capital and reserves			
Share capital		**16,315**	16,306
Reserves		**12,444,883**	11,815,430
Equity attributable to owners of the Company		**12,461,198**	11,831,736
Non-controlling interests		**515,923**	523,923
Total equity		**12,977,121**	12,355,659

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

1. GENERAL INFORMATION

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

During the current interim period, the Company's finance lease operation was discontinued upon Shanghai Yongda Finance Leasing Co., Ltd. being classified as held for sale as disclosed in Note 15.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

2.1 Application of accounting policies which became relevant

Non-current assets held for sale

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

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

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

2.2 Application of amendments to IFRSs

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*

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

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

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

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

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

2.2.2.1 Accounting policies

Financial instruments

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

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

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

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

Leases

<u>The Group as a lessee</u>

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

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

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

<u>The Group as a lessor</u>

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

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

2.2.2.2 *Transition and summary of effects*

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

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers for continuing operations

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

Notes:

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

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

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

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

3B. OPERATING SEGMENTS

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

For the six months ended June 30, 2021

Continuing operations

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

For the six months ended June 30, 2020

Continuing operations

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

Notes:

a. The segment revenue of passenger vehicles sales and services for the six months ended June 30, 2021 was approximately RMB40,391,684,000 (for the six months ended June 30, 2020: RMB27,542,451,000) which included the sales revenue of passenger vehicles amounting to approximately RMB34,874,151,000 (for the six months ended June 30, 2020: RMB23,580,891,000) and the after-sales services revenue amounting to approximately RMB5,517,533,000 (for the six months ended June 30, 2020: RMB3,961,560,000).

b. The segment cost of passenger vehicles sales and services for the six months ended June 30, 2021 was approximately RMB36,730,401,000 (for the six months ended June 30, 2020: RMB25,096,238,000) which included the cost of sales of passenger vehicles amounting to approximately RMB33,721,100,000 (for the six months ended June 30, 2020: RMB22,959,057,000) and the cost of after-sales services amounting to approximately RMB3,009,301,000 (for the six months ended June 30, 2020: RMB2,137,181,000).

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

d. The segment revenue of proprietary finance business mainly includes small loan services since the finance lease operation being discontinued during the current interim period as disclosed in Note 15. The segment cost of proprietary finance business is mainly composed of finance costs. The Company intended it would no longer carry out new proprietary finance business during the current interim period.

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

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

Notes:

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

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

5. PROFIT BEFORE TAX

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

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

6. INCOME TAX EXPENSE

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

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

Grouprich International Investment Holdings Limited, and Hongda Automobiles Co., Ltd, both subsidiaries of the Company, are incorporated in Hong Kong and had no assessable profits subject to Hong Kong Profits Tax during the six months ended June 30, 2020 and 2021.

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Company's PRC subsidiaries, except for some small profit-making PRC subsidiaries which are entitled to a preferential tax rate of 5% to 10% with the expiry date on December 31, 2021 or December 31, 2022.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB8,796,295,000 (2020: RMB6,800,898,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Earnings figures are calculated as follow:		
Profit for the period attributable to owners of the Company	**1,171,509**	529,965

	For the six months ended June 30,	
	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,975,451**	1,847,624
Effect of dilutive potential ordinary shares:		
Share options	**2,630**	6,516
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,978,081**	1,854,140

From continuing operations

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

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

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

From discontinued operations

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

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

Property, plant and equipment

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

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

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

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

Right-of-use assets

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

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

10. INVENTORIES

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

11. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

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

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

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

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

Note: Except for advance to non-controlling interests of RMB6,900,000 (2020: RMB30,000,000) which carried at a fixed interest rate of 4.9% per annum and was payable upon the maturity due on December 5, 2021, the rest balances were unsecured, interest-free and repayable on demand.

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

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

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

12. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Trade payables	**982,640**	925,650
Bills payables	**2,652,663**	3,798,958
	3,635,303	4,724,608
Other payables		
Other tax payables	**190,145**	165,533
Payable for acquisition of property, plant and equipment	**49,043**	53,492
Salary and welfare payables	**186,947**	212,352
Accrued interest	**18,818**	32,453
Accrued audit fee	**2,500**	5,320
Consideration payables for acquisition of subsidiaries	**2,377**	69,377
Consideration payables for acquisition of non-controlling interests	**–**	26,186
Advance from non-controlling interests *(note)*	**47,815**	137,892
Dividend payable to non-controlling interests	**1,489**	1,932
Deposits received from customers under finance leases	**5,052**	54,844
Other accrued expenses	**102,353**	99,592
Others	**234,927**	223,254
	841,466	1,082,227
	4,476,769	5,806,835
Non-current		
Other liabilities		
Deposits received from customers under finance leases	**49**	11,282

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

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

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

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

13. SUPER SHORT-TERM COMMERCIAL PAPERS

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

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

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

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

14. MEDIUM-TERM NOTE

On May 24, 2018, Shanghai Yongda Investment received a notice of acceptance of registration issued from National Association of Financial Market Institutional Investors to issue medium-term note of an aggregate registered amount of RMB1.2 billion. According to the notice, the registered amount was effective for two years commencing from the date of issue.

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Continuing operations

Revenue

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

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

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

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

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

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

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

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

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

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

Cost of Sales and Services

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

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

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

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

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

Other Income and Other Gains and Losses

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

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

Distribution and Selling Expenses and Administrative Expenses

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

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

Operating Profit

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

Finance Costs

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

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

Profit before Tax

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

Income Tax Expenses

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

Profit from Continuing Operations

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

Profit from Discontinued Operations

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

Profit

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

Profit Attributable to the Owners of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

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

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

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

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

Inventories

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

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

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

Capital Expenditures and Investment

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

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

Borrowings and Bonds

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

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

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

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

Contingent Liabilities

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

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

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

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

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

Interest Rate Risk and Foreign Exchange Risk

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

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of June 30, 2021, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we used derivative financial instruments to hedge our exposure to foreign exchange risk.

FUTURE OUTLOOK AND STRATEGIES

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

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

Relying on the natural advantages of the agency group to carry out the pre-owned vehicle business, we will vigorously expand the business scale of the pre-owned vehicle, improve the profit quality. We implemented the dual-channel strategy of 4S shop network and the pre-owned vehicle chain mall, actively changed from the brokerage model to the distribution model, so as to increase the scale and profitability of the certified pre-owned vehicle retail business. We will strengthen the customer collection and referral capabilities through building a pre-owned vehicle online mall portal, and form an omni-channel "new retail" model by combining online and offline channels. Additionally, we will actively implement the vehicle resource coordination strategy with OEMs and third parties to enhance the market influence of Yongda pre-owned vehicle brand.

The Company will accelerate the layout of new energy automotive service industries, and conduct active cooperation with new leading brands of new energy vehicles manufactures, domestic leading independent brands and international traditional luxury brands in regarding of new energy car sales service. Relying on the resource advantages of manpower, facilities, customer base, marketing channels, etc., we will rapidly expand the network layout, and actively participate in the operation of new models such as the supermarket model, the delivery commission model, the authorized maintenance and the centralized sheet spray center. While rapidly increasing the business scale, the Company will explore business opportunities in the new energy service industry chain and form a business model that conforms to the future development trend of electrification and intelligence.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has complied with the code provisions in the CG Code during the six months ended June 30, 2021.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2021.

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Audit and Compliance Committee

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

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

INTERIM DIVIDEND

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended June 30, 2021 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

The PRC, August 24, 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 Liqun; and (iii) three independent non-executive Directors, namely Ms. Zhu Anna Dezhen, Mr. Lyu Wei and Mr. Mu Binrui.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and development strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited by the Group's auditor. Shareholders and potential investors of the Company should therefore not place undue reliance on such statements.