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Sunfonda Group Holdings

SUNFONDA GROUP HOLDINGS LIMITED
新豐泰集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01771)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

Revenue for the year ended 31 December 2014 increased by 6.0% to RMB7,879.5 million as compared with the corresponding period in 2013.

Gross profit for the year ended 31 December 2014 decreased by 5.8% to RMB607.1 million as compared with the corresponding period in 2013.

Revenue from after-sales services for the year ended 31 December 2014 increased by 6.4% to RMB737.4 million as compared with the corresponding period in 2013.

Gross profit margin for after-sales services increased to 45.2% for the year ended 31 December 2014 from 44.4% for the year ended 31 December 2013.

Profit attributable to owners of the parent for the year ended 31 December 2014 decreased by 7.1% to RMB172.4 million as compared with the corresponding period in 2013.

Basic and diluted earnings per share attributable to ordinary equity holders of the parent for the year ended 31 December 2014 was RMB0.32. The proposed final dividend was HK$0.063 per ordinary share.

ANNUAL RESULTS

The board of the directors (the "Board") of Sunfonda Group Holdings Limited (the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group" or "we") for the year ended 31 December 2014 together with comparative figures for the year ended 31 December 2013.

SUMMARY FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 *RMB'000*	2013 *RMB'000*
REVENUE	*5(a)*	**7,879,528**	7,432,699
Cost of sales and services	*6(b)*	**(7,272,444)**	(6,787,872)
Gross profit		**607,084**	644,827
Other income and gains, net	*5(b)*	**201,468**	93,901
Selling and distribution expenses		**(249,460)**	(213,292)
Administrative expenses		**(186,624)**	(152,270)
Profit from operations		**372,468**	373,166
Finance costs	*7*	**(138,642)**	(124,584)
Profit before tax	*6*	**233,826**	248,582
Income tax expense	*8*	**(61,096)**	(62,969)
Profit for the year		**172,730**	185,613
Attributable to:			
Owners of the parent		**172,370**	185,636
Non-controlling interests		**360**	(23)
		172,730	185,613
Earnings per share attributable to ordinary equity holders of the parent	*10*		
Basic and diluted (RMB)		**0.32**	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Profit for the year		**172,730**	185,613
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,025)**	1,441
Other comprehensive income for the year, net of tax		**(5,025)**	1,441
Total comprehensive income for the year		**167,705**	187,054
Attributable to:			
Owners of the parent		**167,345**	187,077
Non-controlling interests		**360**	(23)
		167,705	187,054

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**887,863**	694,976
Land use rights		**201,196**	407,814
Intangible assets		**4,097**	4,239
Prepayments		**121,305**	132,841
Deferred tax assets		**14,691**	16,816
Total non-current assets		**1,229,152**	1,256,686
CURRENT ASSETS			
Inventories	*11*	**1,083,657**	730,594
Trade receivables	*12*	**41,854**	50,841
Prepayments, deposits and other receivables		**601,558**	565,303
Amount due from a related party		**16,430**	6,371
Available-for-sale investments		**20,000**	–
Pledged bank deposits		**316,090**	292,209
Cash in transit		**35,472**	33,240
Cash and cash equivalents		**886,966**	451,930
Total current assets		**3,002,027**	2,130,488
CURRENT LIABILITIES			
Bank loans and other borrowings		**1,751,843**	1,523,674
Trade and bills payables	*13*	**518,445**	444,792
Other payables and accruals		**259,357**	190,355
Amounts due to related parties		**–**	7,684
Income tax payable		**33,267**	39,400
Total current liabilities		**2,562,912**	2,205,905
NET CURRENT ASSETS/(LIABILITIES)		**439,115**	(75,417)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,668,267**	1,181,269

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		**86,000**	145,188
NET ASSETS		**1,582,267**	1,036,081
EQUITY			
Equity attributable to owners of the parent			
Share capital		**377**	285
Reserves		**1,546,734**	1,030,819
Proposed final dividend	*9*	**29,819**	–
		1,576,930	1,031,104
Non-controlling interests		**5,337**	4,977
Total equity		**1,582,267**	1,036,081

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sunfonda Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 January 2011 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 May 2014.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the sale and service of motor vehicles in Mainland China.

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Golden Speed Enterprises Limited, which is incorporated in the British Virgin Islands ("BVI").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for cash-settled share-based compensation plan which has been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of these revised HKFRSs and interpretation has had no significant financial effect on these financial statements.

3.2. NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 3.1, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

HKAS1 Amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in HKFRS, and do not affect recognition and measurement. The company will adopt HKAS1 Amendments on 1 January 2016 and is current assessing the impact of HKAS1 Amendments upon adoption.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical areas

Since all of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's non-current assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customers information is presented in accordance with HKFRS 8 Operating Segments.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

	2014	2013
	RMB'000	*RMB'000*
Revenue from the sale of motor vehicles	**7,142,136**	6,739,365
Others	**737,392**	693,334
	7,879,528	7,432,699

(b) Other income and gains, net:

	2014	2013
	RMB'000	*RMB'000*
Commission income	**87,348**	62,922
Service income	**21,219**	20,937
Interest income	**7,164**	3,260
Advertisement support received from motor vehicle manufacturers	**15,000**	–
Net loss on disposal of property, plant and equipment	**(13,896)**	(2,040)
Write back of long-aged advance from customers	**9,311**	–
Gain on disposal of a subsidiary	**70,448**	4,704
Others	**4,874**	4,118
	201,468	93,901

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

(a) Employee benefit expense (including directors' and chief executive's remuneration)

	2014	2013
	RMB'000	*RMB'000*
Wages and salaries	**115,924**	90,975
Equity-settled share award expense	**1,512**	–
Other welfare	**22,742**	19,472
	140,178	110,447

(b) Cost of sales and services

	2014	2013
	RMB'000	*RMB'000*
Cost of sales of motor vehicles	**6,868,182**	6,402,142
Others*	**404,262**	385,730
	7,272,444	6,787,872

* There were employee benefit expenses of RMB33,492,000 (2013: RMB27,190,000) included in the cost of sales and services.

(c) Other items

	2014	2013
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**94,993**	72,989
Amortisation of land use rights	**7,724**	9,168
Amortisation of intangible assets	**639**	577
Auditors' remuneration	**2,100**	2,370
Advertising and business promotion expenses	**55,113**	46,258
Lease expense	**19,611**	16,726
Bank charges	**7,153**	5,790
Office expenses	**24,427**	23,480
Logistics expenses	**7,801**	6,205
Net loss on disposal of property, plant and equipment	**13,896**	2,040
Gain on disposal of a subsidiary	**(70,448)**	(4,704)

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**124,155**	102,592
Interest expense on other borrowings	**23,532**	25,531
Less: interest capitalised	**(9,045)**	(3,539)
	138,642	124,584

8. INCOME TAX

(a) Income tax in the consolidated statements of profit or loss represents:

	2014	2013
	RMB'000	*RMB'000*
Current Mainland China corporate income tax	**60,830**	65,554
Deferred tax	**266**	(2,585)
	61,096	62,969

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the BVI is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate of the Mainland China subsidiaries is 25%.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rate:

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the region in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**233,826**	248,582
Tax at the applicable tax rate (25%)	**58,456**	62,146
Different tax rate for a subsidiary in Hong Kong	**5**	37
Tax effect of non-deductible expenses	**1,038**	1,889
Income not subject to tax	**(11,112)**	(1,176)
Tax losses not recognised	**12,709**	73
Tax charge	**61,096**	62,969

9. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Proposed final-HK6.3 cents (2013: Nil) per ordinary share	**29,819**	–
	29,819	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the year ended 31 December 2014 amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 544,520,548 in issue during the year.

As stated in the prospectus dated 30 April 2014 for the public listing of the Company's shares on the Stock Exchange, the Company's ordinary shares were repurchased, issued and divided on 8 January 2014. The ordinary shares of the Company before listing were 450,000,000 shares of a par value of US$0.0001 each. The weighted average number of ordinary shares used to calculate the basic earnings per share in the ended 31 December 2013 was 450,000,000, which were deemed to have been issued throughout the period.

The Group had no potentially dilutive ordinary shares in issue during those years.

	2014	2013
	RMB	*RMB*
Earnings		
Profit attributable to ordinary equity holders of the parent	**172,370,000**	185,636,000

	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the period	**544,520,548**	450,000,000
Earnings per share		
Basic and Diluted (RMB)	0.32	0.41

11. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Motor vehicles (at cost or at net realisable value)	**1,005,101**	655,677
Spare parts (at cost or at net realisable value)	**78,556**	74,917
	1,083,657	730,594

At 31 December 2014, certain of the Group's inventories with an aggregate carrying amount of approximately RMB325,766,000 (2013: RMB180,457,000) were pledged as security for the Group's bank loans and other borrowings.

At 31 December 2014, certain of the Group's inventories with an aggregate carrying amount of approximately RMB196,456,000 (2013: RMB113,034,000) were pledged as security for the Group's bills payable.

12. TRADE RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**41,854**	50,841

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**33,457**	48,116
More than 3 months but less than 1 year	**7,436**	2,085
Over 1 year	**961**	640
	41,854	50,841

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**40,893**	50,201
Over one year past due	**961**	640
	41,854	50,841

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**70,317**	42,409
Bills payable	**448,128**	402,383
Trade and bills payables	**518,445**	444,792

An aged analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**502,002**	436,798
3 to 6 months	**13,399**	6,918
6 to 12 months	**2,984**	856
Over 12 months	**60**	220
	518,445	444,792

The trade and bills payables are non-interest-bearing.

As at 31 December 2014, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB196,456,000 (2013: RMB113,034,000).

As at 31 December 2014, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB252,090,000 (2013: RMB292,209,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Economic and Industry Trends

According to the State Information Centre, China's Gross Domestic Product ("GDP") reached RMB63.6 trillion in 2014, representing an increase of 7.4% from 2013. The growth rates of GDP were at 7.4%, 7.5%, 7.3% and 7.3% year-on-year in the first to fourth quarter of 2014 respectively. The 2014 Consumer Price Index (CPI) grew by 2% year-on-year, 0.6 percentage point lower than that of 2013 and far below the 3.5% annual target set out before. The CPI's growth rate of 2014 was the record low since 2010. Despite the slowdown in the growth rate of GDP and gloomy economic environment in 2014, particularly the second half of 2014, the automobile industry was outperformed among the major industries in China. The domestic passenger vehicle market remained in a stable growth cycle. In 2014, automobile production and the sales of automobiles in China amounted to 23,722,900 units and 23,491,900 units, representing an increase of 7.3% and 6.9% respectively as compared with last year. In 2014, the passenger vehicles production and sales of passenger vehicles increased by 10.2% to 19,920,000 units and by 9.9% to 19,700,000 units respectively. It shows a decrease in overall growth rate but the sales of automobile are still in an increasing trend.

Concurrently given the Chinese automobile market becomes mature, the increase in the ownership base of automobiles and vehicle replacement results in a significant growth of automobile's secondary market in China. According to the statistics of the China Automobile Dealers Association, the total number of trading in used cars in China amounted to 6,052,900 representing an increase of 16.33% as compared with 2013 and the total trading amount of used car increased by 26.03% to RMB367.565 billion. The total number of trading in standard passenger vehicle increased by 15.25% to 3,514,300 units and the trading amounts was RMB226.421 billion. In light of the increase in the public awareness to environmental protection and the environmental reform by the PRC government in progress, the new energy vehicles have become a catalyst to the growth of automobile industry in China under the support of the PRC Government on the new energy vehicle. There was remarkable growth in the sales of new energy vehicle in 2014. The sales of new energy vehicles in 2014 surged to 75,000 units representing an increase of 324% as compared with 2013, in which sales of battery electric vehicles and plug-in electric vehicles increased by 208% to 45,000 units and increased by 878% to 30,000 units respectively.

Brand portfolio's performance

According to the Statistics of China Association of Automobile Manufacturers, the 2014 growth rate of luxury and ultra-luxury passenger vehicle market remained rapid at the rate of 26.8% as compared with 2013. Particularly, the sales of the following brands which the Group owns the dealership, performed very well in 2014. There were approximately 46,900 units of Porsche, 578,900 units of Audi, 463,000 units of Benz, 9,400 units of Maserati, 2,670 units of Bentley, 74,000 units of Cadillac, 76,000 units of Lexus and 81,000 units of Volkswagen Imported were sold in China in 2014. As compared with 2013, the sales of Porsche, Audi, Benz, Maserati, Bentley, Cadillac and Lexus increased by 25.4%, 17.7%, 25%, 148%, 24%, 47% and 4% respectively, whilst sales of Volkswagen Imported declined by 2.4%. Besides, the Group acquired the dealership and authorization to sell other popular middle market brands such as Chang'an-Ford, Shanghai Volkswagen, Buick and Chevrolet. These brands grew significantly and ranked as the top tier automobile brands last year.

The economic development in Northwestern China grew rapidly higher than for overall China in past few years. In particular, Shaanxi Province, Gansu Province, Ningxia and Qinghai Province's GDP growth reached 9.7%, 8.9%, 8.0% and 9.2% respectively in 2014. Strong economic growth results in the increase in power of consumption in these regions. Since China advocates the measure of "One Belt and One Road", there are significant development in the infrastructure for the urban and industrial zone in the area of the Northwestern China and the ancient Silk Road's region. We can foresee that the overall economy and consumption will have a long-term sustainable growth. We think Jiangsu Province, another key distribution network region of the Group, is a promising province in the China. Its 2014 GDP growth rate reached 8.7% and its GDP ranked the second just behind the Guangdong Province, which is the top performance province; therefore has a huge market potential.

BUSINESS REVIEW

Given the slowdown in economic growth and fierce rivalry in the automobile industry in 2014, the Group had been closely monitoring the market and taking swift corresponding actions in response to the dynamic change in the market. In order to adopt the dynamic market and meet the operation target in terms of profitability, the Group operated its business in a satisfactory level by way of optimizing the sales structure, enhancement in the inventory management, effective costs saving and modification of performance review system for sales personnel. Set out below is the 2014 business review of the Group:

As a leading dealership corporation of luxury and ultra-luxury automobiles in Northwestern China, the Group achieved steady growth in various business segments in 2014. In 2014, the sales of new automobiles reached 17,013 units, representing an increase of 7.4% as compared with the corresponding period in 2013; the revenue and gross profit amounted to RMB7,142.1 million and RMB274.0 million, representing an increase of 6.0% and a decrease of 18.7% respectively as compared with the corresponding period in 2013.

The sales of new automobiles grew steadily and after-sales business thrived

- Sales of new automobiles: Growth of the passenger vehicle market was quite impressive in 2014, of which the sales of luxury new automobiles maintained a particularly strong forward momentum, providing fuel for the business growth of the Group. The management of the Group kept abreast of market changes in order to modify its vehicle model portfolio and make appropriate control on pricing policy. With overall profit on top priority, the Group successfully maintained a balance between sales growth and profitability.

  Despite huge downside pressure in the automobile industry during the second half of 2014, the Group managed to achieve a 7.4% year-on-year growth in sales of new automobiles to 17,013 units in 2014, of which the sales of new luxury passenger vehicles increased by 15.8% year-on-year to 15,462 units. The revenue arising from the sales of new automobiles was RMB7,142.1 million in 2014, representing an increase of 6.0% from 2013. This was attributable to the special rebates and subsidies granted by some vehicle manufacturers during the fourth quarter of 2014. The Group maintained its gross profit margin at a reasonable level throughout 2014.

- After-sales services: The revenue from after-sales maintenance services grew steadily in 2014 with a notably higher gross profit margin from maintenance services. This was mainly due to the constantly expanding customer base, lower churn rate and effective control on the operating cost of after-sales services.

  For the management of the retention of customers, we mainly reinforced the customer management through enhancement of the customer visit frequency and further development and sales of the products for better customer loyalty (including the renewal and extension of contract and membership card), thereby achieving higher customer satisfaction. For the operating cost of after-sales services, we effectively cut down the cost through stringent internal cost control and centralized procurement of spare parts and automobile accessories. Benefitted from the above factors, the revenue from after-sales services of the Group for 2014 increased by 6.4% to RMB737.4 million as compared to 2013, and the gross profit margin of after-sales services for 2014 increased by 0.8% to 45.2% as compared to 2013. The throughput volume amounted to 176,875 units, representing an increase of 3.9% as compared to 2013.

Strengthening business cooperation and introducing new development model

In 2014, the Group has entered into a strategic cooperation framework agreement with PICC Property and Casualty Company Limited in relation to further increase in revenue from after-sales service and enhancement of customer loyalty. In the same year, the Group also entered into a letter of intent with Youxinpai (優信拍), a leading online auction platform of used automobiles in China, in respect of the strategic cooperation, providing a strong network support in the used automobile business of the Group and laying a favourable foundation for the development of used automobile business of the Group in the future.

For the development model, we have focused on the development of after-sales service market, the used automobile business and network and the new energy automobiles. In addition, we have actively introduced an innovated development model leveraging on the internet by expanding the online trading models of O2O[1] and B2B[2] and developing the innovative electric commercial products to enhance the customer loyalty.

In 2014, the Group also entered into a strategic cooperation framework agreement with FAW-Volkswagen Automobile Co. Ltd., becoming one of its few strategic partners of Audi brand in China. It will accord priority to the Group for continual development of Audi business in the future. Moreover, we have entered into an agreement with Volvo Car Sales (Shanghai) Limited (沃爾沃汽車銷售(上海)有限公司) in relation to the preferred rights of the Group in Shaanxi Province, which will be a great benefit to the Group for reinforcing its market leading position in Shaanxi region.

Reasonably controlling the development progress and optimizing the network planning

In 2014, the Group continued to strengthen its leading position of luxury and ultra-luxury brands in the regions where it operates, and optimized the strategic network planning in the provinces and cities in Northwestern China and certain regions in Shanxi and Jiangsu Province with the dealership network covering 8 provincial regions and 11 cities in Beijing, Shaanxi, Shanxi, Inner Mongolia, Gansu, Ningxia, Qinghai, Jiangsu and other places. Diversified brand portfolio and network planning allowed the Group to enjoy its unique competitive advantage in the regions where it operates. As of the date of this announcement, the Group had 43 dealership stores authorized by the automobile manufacturers and a warehouse for FAW-Volkswagen spare parts, among which 26 outlets were in operation, and the remaining 17 outlets under construction have been authorized by automobile manufacturers. The Group distributed automobiles for 22 automobile brands.

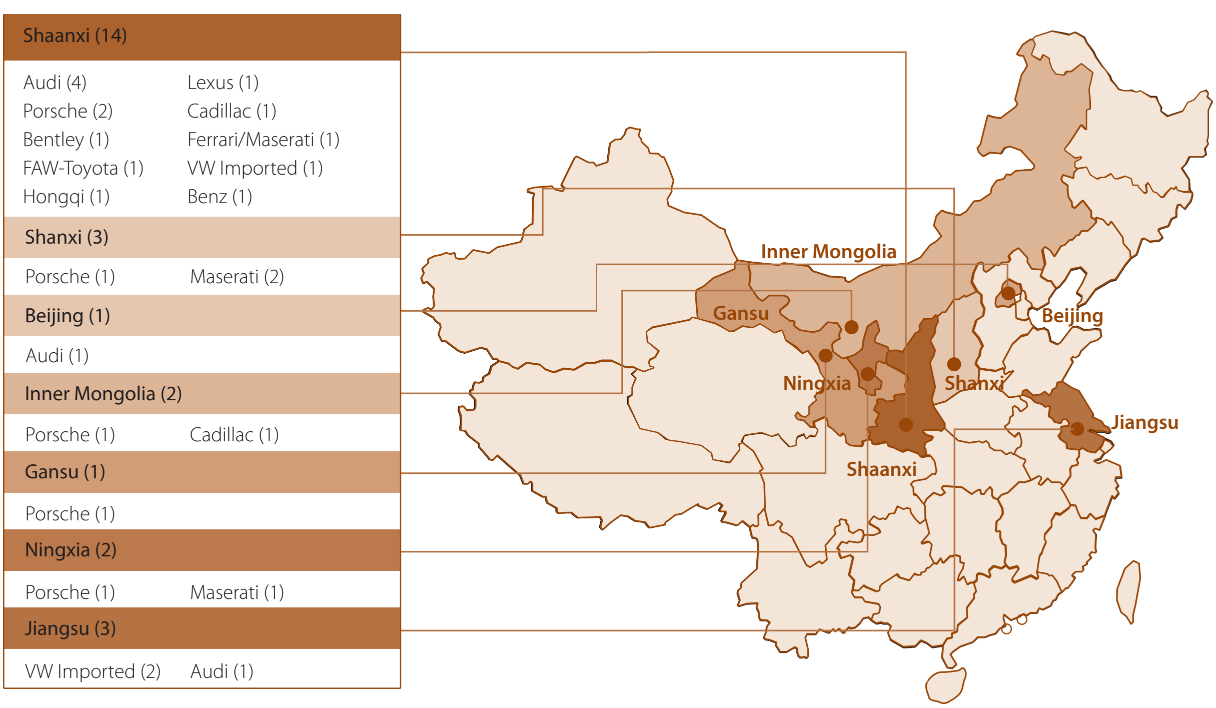
1 O2O: Online to Offline, refers to the integration of offline business opportunities with the internet, allowing the internet to become the foreground of offline transactions.

2 B2B: Business to Business, refers to the commercial relationship between businesses. Corporate intranet works closely with customers through B2B website. Through the prompt responses from the website, businesses can provide better services to their customers and thereby facilitate the business development of the businesses.

In 2014, the Group continued to reinforce its dealership network in major regions. By establishing an Audi store in Weinan City of Shaanxi Province, Yangzhou City of Jiangsu Province and Beijing City respectively, it further improved its strategic cooperation with Audi brand. Meanwhile, with the strategic cooperation relationship with Volvo brand, we have set up the first Volvo dealership store of the Group in Xianyang City. The store has put into operation at the beginning of 2015 with the authorization granted in Xi'an. For the network development of Porsche brand, the Group was granted the dealership authorization in Xining City of Qinghai Province again with a total of 7 authorized Porsche Centres, further expanding the Group's network in Northwestern market and consolidating its leading position in dealership sector of Porsche brand. In addition, to cope with our plan of automobile culture industrial parks in Xi'an City, we expanded our operating network of middle market brands, and for the year ended 31 December 2014, we have been granted the authorisation of middle market brands, including Shanghai Volkswagen, Beijing Hyundai, Kia, Nissan, Venucia and Chrysler as well as new energy automobile brands DENZA.

In 2014, the Group steadily pushed ahead the construction of automobile culture industrial parks in Xi'an. The mainstream middle market brands in Chang'an automobile park have commenced the construction and are expected to open 5 to 6 stores in 2015, preliminarily creating a scale economies effect of automobile parks. Meanwhile, the Chang'an-Ford store in Baqiao automobile parks of the Group and Shanghai Volkswagen store will put into operation at the beginning and in the second quarter of 2015 respectively. The luxury and ultra-luxury brands-based network complemented by the mainstream middle market brands in Xi'an region to date will play a positive role to the improvement of sales and profitability of the Group in the future.

As at 31 December 2014, the geographical locations of 26 4S stores and brands of the Group are illustrated as below:



Continuous enhancement of the management and control system

While ensuring the achievement of operating objectives and the improvement of profitability, the Group remained focused on the management professionalization and the standardized procedures. In 2014, we focus on the following work in enhancing the management:

- Strengthening the management of brand business to enhance resource sharing and synergy among the outlets of the same brands;

- Implementing a consistent authorization approval procedures with enterprise resources planing system to strengthen the pricing management of new automobile sales;

- Improving the management of sales structure and inventory level on an ongoing basis;

- Further developing and enhancing the internal staff to establish a reasonable reserve and hierarchy system for key management;

- Adjusting and optimizing the performance appraisal and remuneration management system with an aim to improve the profitability so as to motivate the management and staff for better revenue of the Company; and

- Achieving higher customer satisfaction and loyalty through membership card and various thanksgiving activities and the provision of one stop service.

In 2014, the Company has successfully developed a strategic development concept of "People – Automobile – Health" through our continual efforts on enhancing the Group's brand image, and was recognized as an outstanding enterprise in Xi'an by Chinese Business View (華商報) in Shaanxi Province. The Company also makes the effort into participating in charity activities. In the future, the Company will show more concern for and participate in the social charity activities in order to enhance the reputation and market influence of Sunfonda brand.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2014 was RMB7,879.5 million, representing an increase of RMB446.8 million or 6.0% as compared with the corresponding period in 2013. Of which, revenue arising from the sale of new automobiles was RMB7,142.1 million, representing an increase of RMB402.7 million or 6.0% as compared to that for the corresponding period in 2013; revenue arising from after-sales services was RMB737.4 million, representing an increase of RMB44.1 million or 6.4% as compared to that for the corresponding period in 2013.

A substantial portion of revenue of the Group was generated from sale of new automobiles, accounting for 90.6% of our revenue for the year ended 31 December 2014 (2013: 90.7%). During the year, the remaining part of revenue of the Group was generated from after-sales services, accounting for 9.4% of our revenue for the year ended 31 December 2014 (2013: 9.3%). Revenue of the Group is mainly derived from our operations in the PRC.

The following table sets forth a breakdown of the revenue and relevant information for the reporting period:

	For the year ended 31 December					
	2014			2013		
	Amount *(RMB'000)*	**Sales volume** *(Unit)*	**Average selling price** *(RMB'000)*	Amount *(RMB'000)*	Sales volume *(Unit)*	Average selling price *(RMB'000)*
Sales of new automobiles						
Luxury and ultra-luxury brands	**6,892,044**	**15,462**	**445.7**	6,308,165	13,352	472.5
Middle market brands	**250,092**	**1,551**	**161.2**	431,200	2,482	173.7
Sub-total	**7,142,136**	**17,013**	**419.8**	6,739,365	15,834	425.6
After-sales services	**737,392**			693,334		
Total	**7,879,528**			7,432,699		

Cost of sales and services

Cost of sales and services for the year ended 31 December 2014 was RMB7,272.4 million, representing an increase of RMB484.5 million or 7.1% as compared to that for the corresponding period in 2013. Cost of sales of new automobiles for the year ended 31 December 2014 was RMB6,868.1 million, representing an increase of RMB465.9 million or 7.3% as compared to that for the corresponding period in 2013. Cost of after-sales services for the year ended 31 December 2014 was RMB404.3 million, representing an increase of RMB18.6 million or 4.8% as compared to that for the corresponding period in 2013.

Gross profit

Gross profit for the year ended 31 December 2014 was RMB607.1 million, representing a decrease of RMB37.7 million or 5.8% as compared to that for the corresponding period in 2013. Of which, gross profit of sales of new automobiles was RMB274.0 million, representing a decrease of RMB63.2 million or 18.7% as compared to that for the corresponding period in 2013; gross profit of after-sales services was RMB333.1 million, representing an increase of RMB25.5 million or 8.3% as compared to that for the corresponding period in 2013. For the year ended 31 December 2014, gross profit of after-sales services accounted for 54.9% of our total gross profit (2013: 47.7%).

Gross profit margin for the year ended 31 December 2014 was 7.7% (2013: 8.7%). Of which, gross profit margin for sales of new automobiles was 3.8% (2013: 5.0%) and gross profit margin for after-sales services was 45.2% (2013: 44.4%).

Other income and gains, net

For the year ended 31 December 2014, other net income and gains amounted to RMB201.5 million, representing an increase of 114.6% as compared with the RMB93.9 million for the year ended 31 December 2013.

The other income and gains, net mainly consists of commission income from automobile insurance agency services and automobile financing agency business, subsidies to advertising expense offered by automobile manufacturers, profits generated from used automobile trading and interest income, as well as the net gain of RMB70.4 million generated from disposal of the equity interests in a subsidiary (Beijing Sunfonda Boao Commercial Trading Co., Ltd.) during the year.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2014 amounted to RMB249.5 million, representing an increase of 17.0% as compared with the RMB213.3 million for the year ended 31 December 2013, mainly due to the expansion of sales network, recruitment of new employees and venue leasing.

As a percentage of revenue, the selling and distribution costs increased from 2.9% for the year ended 31 December 2013 to 3.2% for 2014.

Administrative expenses

Administrative expenses for the year ended 31 December 2014 amounted to RMB186.6 million, representing an increase of 22.5% as compared with the RMB152.3 million for the year ended 31 December 2013.

The increase was mainly attributable to (1) the professional fees of approximately RMB15.1 million relating to the Company's listing on the main board of the Stock Exchange, which were charged to the statement of profit or loss in 2014; (2) increase in expenses, including the amounts relating to administration and management personnel and depreciation of assets, arising from the expansion of sales network in 2014. As a percentage of revenue, the administrative expenses increased from 2.0% for the year ended 31 December 2013 to 2.4% for 2014.

Finance costs

Finance costs for the year ended 31 December 2014 amounted to RMB138.6 million, representing an increase of 11.2% as compared with the RMB124.6 million for the year ended 31 December 2013. The increase was mainly attributable to the expansion of sales network, with the scale of financing growing from RMB1,668.9 million as at 31 December 2013 to RMB1,837.8 million as at 31 December 2014.

Profit before tax

As a result of the foregoing, profit before tax for the year ended 31 December 2014 amounted to RMB233.8 million, representing a decrease of 6.0% as compared with the RMB248.6 million for the year ended 31 December 2013.

Income tax expense

Income tax expense for the year ended 31 December 2014 amounted to RMB61.1 million, representing a decrease of 3.0% as compared with the RMB63.0 million for the year ended 31 December 2013. The effective income tax rate of the Group for the year ended 31 December 2014 was approximately 26.1%, which was mainly due to the impact of disposal of the equity interests in a then subsidiary and tax losses not recognised as deferred tax assets for some loss-making subsidiaries.

Profit for the year

As a result of the foregoing, profit for the year ended 31 December 2014 was RMB172.7 million, representing a decrease of 7.0% as compared with the RMB185.6 million for the year ended 31 December 2013.

Profit for the period attributable to owners of the parent

For the year ended 31 December 2014, profit for the period attributable to owners of the parent was RMB172.4 million, representing a decrease of 7.1% as compared with the RMB185.6 million for the year ended 31 December 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

For the year ended 31 December 2014, our net cash flow generated from operating activities was RMB76.6 million, as compared with the RMB403.2 million of net cash flow generated from operating activities for the year ended 31 December 2013. The decrease in cash flow of operating activities was mainly attributable to the expansion of business scale, increase in purchases and increase in the amount of inventories.

For the year ended 31 December 2014, our net cash flow used in investing activities was RMB27.1 million, as compared with the RMB357.7 million of net cash flow used in investing activities for the year ended 31 December 2013. The decrease in cash outflow of investing activities was mainly attributable to the collection of RMB228.8 million of balance due from a then subsidiary, in which equity interests had been sold.

For of the year ended 31 December 2014, our net cash flow generated from financing activities was RMB387.9 million, as compared with RMB78.9 million of net cash flow generated from financing activities for the year ended 31 December 2013. The increase in the cash flow of financing activities was mainly attributable to the net cash inflows of approximately RMB377.0 million raised through the issuance of new shares in May 2014, as well as the decrease in net borrowings of approximately RMB31.2 million.

Net current assets/(liabilities)

As at 31 December 2014, our net current assets amounted to RMB439.1 million, as compared with RMB75.4 million of net current liabilities as at 31 December 2013. The increase in net current assets was mainly attributable to the net cash inflows of approximately RMB377.0 million raised through the issuance of new shares in May 2014, as well as the collection of RMB228.8 million of balance due from a then subsidiary, in which equity interests had been sold.

Inventories

Our inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 31 December 2014, our inventories amounted to RMB1,083.7 million, representing an increase of 48.3% as compared with the RMB730.6 million as at 31 December 2013, mainly due to the expansion of sales scale and the increase in inventories after the new outlets came into operation.

In 2014, our average inventory turnover days were 44.9 days, slightly longer than the 39.3 days in 2013 (the average inventory turnover days = the average of opening and closing inventory balance divided by the cost of sales and services for that period and multiplied by 360 days), mainly attributable to the purchase of a large amount of inventories for the new outlets coming into operation.

Bank loans and other borrowings

As at 31 December 2014, our bank loans and other borrowings were RMB1,837.8 million, representing an increase of 10.1% as compared with RMB1,668.9 million as at 31 December 2013, which was mainly attributable to the increase in working capital requirements arising from the growth of our business and the expansion of sales network. The following table sets forth the bank loans and other borrowings as at the dates indicated:

	31 December			
	2014		2013	
	Effective interest rate	**Amount**	Effective interest rate	Amount
	%	***RMB'000***	%	*RMB'000*
CURRENT				
Bank loans	**4.2-7.8**	**1,630,586**	5.9-8.5	1,442,427
Other borrowings	**6.5-7.0**	**121,257**	6.5-7.8	81,247
Sub-total		**1,751,843**		1,523,674
NON-CURRENT				
Bank loans	**6.7-7.4**	**86,000**	7.0-8.7	145,188
Total		**1,837,843**		1,668,862
Among which:				
Secured loans		**930,558**		734,803
Guaranteed loans		**–**		906,653
Credit facilities		**907,285**		27,406
Total		**1,837,843**		1,668,862

As at 31 December 2014, our gearing ratio, which is total debt divided by the equity attributable to owners of the parent, was 116.5%. Total debt includes bank loans and other borrowings and amounts due to related parties.

PLEDGE OF ASSETS

As at 31 December 2014, certain of our bank loans were secured by charges or pledges over our assets. Our assets subject to these charges or pledges as at 31 December 2014 consisted of: (i) inventories amounting to RMB325.8 million; (ii) property, plant and equipment amounting to RMB252.1 million; (iii) land use rights amounting to RMB91.2 million; and (iv) pledged bank deposits amounting to RMB64.0 million.

As at 31 December 2014, certain of our inventories amounting to RMB196.5 million and pledged bank deposits amounting to RMB252.1 million were pledged as securities for bills payable.

CAPITAL EXPENDITURES AND INVESTMENT

Our capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. For the year ended 31 December 2014, our total capital expenditures were RMB432.6 million, representing a decrease of approximately RMB69.6 million as compared with the RMB502.2 million for the year ended 31 December 2013.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities or guarantees.

STAFF COST AND EMPLOYEE REMUNERATION POLICY

Staff cost of the Group increased by 26.2% from RMB137.6 million for the year ended 31 December 2013 to RMB173.7 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in staff cost resulting from the new dealership stores in the second half of 2013 and 2014. The Group offers attractive remuneration packages, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and marketing staff as well as automobile services staff with performance-based bonuses based on their contribution to sales or revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. The performance bonuses are calculated on a monthly basis. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. To maintain consistent quality of services across our expanding network, the Group conducts site visits, including unscheduled visits and mystery shopper evaluation, at our outlets to monitor their operations.

INTEREST RATE RISKS

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligation with a floating interest rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risks.

EXCHANGE RATE RISKS

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in US$, EUR and HK$.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China which had US$ and HK$ as their functional currencies, and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had immaterial foreign currency risks.

FUTURE STRATEGY AND PROSPECTS

2014 was undoubtedly a turning point in the development of Chinese economy. Six years after the onset of global financial crisis, world economy remained lackluster as evidenced by mixed performances of advanced economies and slower growth of certain emerging economies, indicating a sluggish recovery of world economy. Chinese economy, witnessing the inflection point of property price and the sharp drop in property investment, shifted from high-speed growth to the new normal of moderate-to-high speed growth, leading to further optimization of economic structure and the transformation of economic growth from the factor-driven and investment-driven towards the innovation-driven.

Looking into 2015, the recovery of world economy will continue and the Chinese economy under the "new normal" will sustain a moderate-to-high speed growth driven by the reform and the intact economic fundamentals. The demand for automobiles brought about by the steady improvement of people's living standards will continue to increase with new growth points in the second and third-tier cities, rural areas and export markets. Estimations on the production volume and ownership base of automobiles in Chinese market for 2011-2015, adopting linear regression and Delphi method, reveal that the Chinese automobile market is expected to record a production volume exceeding 27 million and an ownership base reaching 160 million in 2015. Chinese passenger vehicle market, especially the luxury, ultra-luxury and mainstream middle market automobile segments, will maintain a rapid and stable growth.

Attributable to the national strategy of "One Belt and One Road", the five provinces in Northwestern China along the Silk Road on land will embrace significant development opportunities including the expansion of road and transportation network and acceleration of energy and infrastructure construction. Shaanxi Province, the starting point of the ancient Silk Road of China and one of the major hubs on the New Eurasian Land Bridge, will adapt to changing situations and take the initiative to boost its development by tapping into opportunities arising from the creation of the

Silk Road Economic Belt. The booming economy and trade will facilitate the growth of regional investment and economy, inducing higher consumer spending and booming development of automobile industry. As a leading automobile dealer in Shaanxi Province and Northwestern China, the Group will further develop and expand its business as follows:

Carrying out the development strategy of automobile culture industrial park to improve the overall strengths and competitiveness of the Company

In 2015, based on the market conditions and its plan for the automobile culture industrial park, the Group will proactively complete the application for brand authorization and the construction of authorized brand outlets, and develop the brand cluster advantage of the industrial park and the synergy of brand operation and management, providing customers with diversified shopping experience and one-stop automobile sales and after-sales services.

Giving priority to the development of the four major automobile parks under planning in Xi'an, the Group will control the development and construction process in line with the market situation of automobile sales. Building on the foundation of 2014, Chang'an District Automobile Culture Industrial Park in Xi'an will steadily push forward the construction of authorized brand outlets under contract with the park. Chang'an-Ford and Shanghai Volkswagen outlets in Baqiao Automobile Park is opened in early 2015. Phase two project of Chanba District Automobile Park plans to establish an automobile display and maintenance center and a used car trading center, and introduce automobile commercial property and e-commerce to promote integrated business development. Lintong Automobile Logistics Park will complete the relocation and establishment of the Group's warehouse for FAW-Volkswagen spare parts, and expedite the negotiation with targeted brands to obtain authorization from one or two automobile brands for its spare parts logistics center in the Northwestern region, creating the competitive advantage in spare parts logistics business of branded automobiles and seizing pre-emptive opportunity in automobile aftermarket.

Expanding brand portfolio to enhance business scale and profitability

As a leading automobile dealer of luxury and ultra-luxury automobiles in Northwestern China, the Group will expand its portfolio of luxury and ultra-luxury automobile brands by proactively introducing new brands including Jaguar Land Rover, BMW and Infiniti, and explore new markets for brands dealt by the Group including Porsche, Audi, Chrysler and Volvo in line with the situations of the targeted market. While maintaining long-term stable cooperation and relationship with luxury and ultra-luxury automobile brands, the Group will accelerate the authorization application for certain middle market automobile brands to optimize its brand portfolio in the regions where the Company currently operates or in the potential targeted regions, forming new synergy in the core multi-brand business development. In addition, the Company plans to expand its business into the market of used automobile, financial leasing, parallel import, new energy automobile and e-commerce.

Further strengthening geographical advantages and market position and actively pressing ahead with business innovation

On regional development strategies, the Group will further reinforce its leading position in the Northwestern market in China in 2015, and selectively tap into other regional markets with growth potential and a promising expected return through measures such as expansion of operating network and adjustment of outlet deployment. We will continue to focus on the self-owned store model to expand our dealership network featuring an efficient and duplicable operation and management mechanism.

On business innovation, the Group will launch a mobile application known as "Tai Ai Che (泰愛車)" in 2015 to tap into the e-commerce business of automobile after-sales services market, through which the Group will leverage on its 4S store sales platform and its after-sales service team and conduct analysis of tachograph and client data with the aid of mega data and cloud computing technologies to offer effective front-end automobile after-sales marketing and customized services. Looking ahead, the Group will extend the market reach of its e-commerce business from its base in Xi'an to other first and second-tier cities in China. Further, the Company will also proactively consider the development of storage, logistics and retail businesses of spare parts for automobile maintenance in cooperation with its potential partners through B2B, B2C[1] and O2O models on the Internet.

Optimizing management mechanism to boost operating effectiveness and gross profits from sales

On operations management, the Group will focus on and step up its efforts in the following tasks in 2015:

- Targeting at boosting gross profits from the sales of new automobiles by reinforcing differentiated marketing efforts and fully utilizing e-marketing tools

- Establishing an industrial park for used automobile trade to proactively engage in used automobile business, so as to create a new growth point in profit contribution

- Enhancing after-sales warranty to achieve higher customer satisfaction and recognition

- Further developing warranty extending business with the coordination of the Group and the support from professionals, so as to boost revenue from after-sales business

- Strengthening customer management by improving customer loyalty through the establishment of an e-commerce platform and the recommendation of mobile applications for customers

[1] B2C: Business to Customer, a type of e-commerce, refers to commercial retails, through which products and services are directly sold to consumers by merchants.

- Maintaining a reasonable level of inventory by keeping a close eye on and taking timely actions to dispose of obsolete inventory

- Optimizing the performance assessment mechanism to balance up internal resources and strengthen system construction and thereby enhancing competitiveness

- Reinforcing management and experience sharing to raise the operation and management standards of the senior management of the Group

All in all, in view of the sustained huge growth potential of China's automobile market, especially in the Northwestern market which currently signifies a low passenger vehicle ownership base and an automobile sales growth rate far higher than that of other regional markets in China, the Group will continue to capture market opportunities in its target regions and seek to proactively extend the reach of its dealership network. The Group will further reinforce its leading market position, strengthen its cooperation with suppliers of all brands, improve its operating management standards and initiate new operation models to create greater returns for shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board has reviewed the Company's corporate governance practices and is of the view that the Company has complied with the code provisions set out in the CG Code for the period from 15 May 2014 (the "Listing Date") to 31 December 2014.

Model Code for Securities Transactions by Directors

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 as its own code of conduct regarding the directors' dealings in the Company's securities. Specific enquiry has been made to all the directors of the Company and each director has confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2014.

Purchase, Sale or Redemption of Listed Securities

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities for the period from the Listing Date to 31 December 2014.

Use of Proceeds

For the year ended 31 December 2014, the net proceeds from the Company's initial public offering were not utilized and the Company would apply the net proceeds from the Company's initial public offering according to the actual operation situation and the Company's prospectus dated 30 April 2014.

Audit Committee

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2014, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2014 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

Final Dividend and Closure of Register of Members

The Board resolved to recommend the payment of a final dividend of HK$0.063 per share for the year ended 31 December 2014 to shareholders of the Company, totally amounting to RMB29.8 million. The proposal for payment of final dividend is subject to the consideration and approval of shareholders at the Company's 2015 annual general meeting to be held on Friday, 29 May 2015.

If the proposal for payment of final dividend is approved at the 2015 annual general meeting, the dividend will be paid on Wednesday, 24 June 2015 to shareholders whose names appear on the register of members of the Company on the close of business on Wednesday, 10 June 2015. Accordingly, the register of members of the Company will be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015 (both days inclusive). In order to be entitled to the final dividend, unregistered holders of shares of the Company should ensure that all the share transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 5 June 2015.

Annual General Meeting and Closure of Register of Members

The Company's 2015 annual general meeting will be held on Friday, 29 May 2015. In order to determine shareholders' entitlement to attend and vote at the 2015 annual general meeting, the register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015 (both days inclusive). In order to be entitled to attend and vote at the 2015 annual general meeting, unregistered holders of shares of the Company should ensure that all the share transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 26 May 2015.

Publication of Annual Results Announcement and Annual Report

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

The Company's annual report for the year ended 31 December 2014 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

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

By Order of the Board
Sunfonda Group Holdings Limited
Mr. Wu Tak Lam
Chairman

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Wu Tak Lam, Ms. Chiu Man, Mr. Jia Ruobing and Mr. Xia Kun; one non-executive director, namely Mr. Zhu Wei; and three independent non-executive directors, namely Mr. Liu Jie, Mr. Yu Yuanbo and Mr. Fu Johnson Chi-King.