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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board of directors (the “Board”) of Sunfonda Group Holdings Limited (the “Company”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2015. This announcement, containing the full text of the 2015 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company’s website (www.sunfonda.com.cn).

The Company’s 2015 interim report will be dispatched to the shareholders of the Company and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, 31 August 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Tak Lam (*Chairman*)

Ms. Chiu Man (*Chief Executive Officer*)

Mr. Jia Ruobing

Mr. Xia Kun

Non-executive Director

Mr. Zhu Wei

Independent Non-executive Directors

Mr. Liu Jie

Mr. Yu Yuanbo

Mr. Fu Johnson Chi-King

AUDIT COMMITTEE

Mr. Liu Jie (*Chairman*)

Mr. Yu Yuanbo

Mr. Fu Johnson Chi-King

REMUNERATION COMMITTEE

Mr. Yu Yuanbo (*Chairman*)

Mr. Liu Jie

Mr. Fu Johnson Chi-King

NOMINATION COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Mr. Liu Jie

Mr. Yu Yuanbo

Mr. Fu Johnson Chi-King

AUTHORIZED REPRESENTATIVES

Mr. Wu Tak Lam

Ms. So Yee Kwan

COMPANY SECRETARY

Ms. So Yee Kwan

HEADQUARTERS

Sunfonda Automobile Center

Beichen Avenue, Chanba Ecological District

Xi'an City, Shaanxi Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

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Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17/F, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong



CORPORATE INFORMATION

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
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Hong Kong

LEGAL ADVISER AS TO PRC LAW

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20th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District, Beijing
PRC

LEGAL ADVISER AS TO HONG KONG LAW

Clifford Chance
27th Floor, Jardine House
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Central, Hong Kong

AUDITORS

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Certified Public Accountants
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Central, Hong Kong

STOCK CODE

01771

WEBSITE

www.sunfonda.com.cn



FINANCIAL HIGHLIGHTS

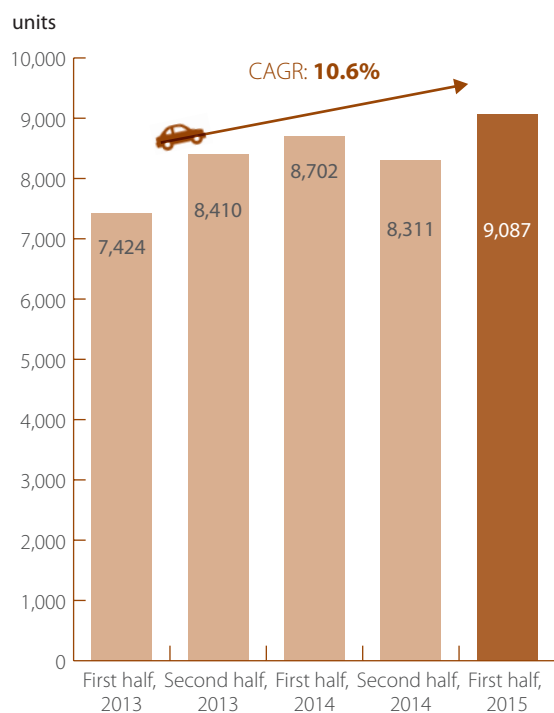
During the period of 1 January to 30 June 2015 (the “**Period**”), the Company has recorded:

- Revenue of RMB3,700.2 million, which was down by 11.5% from the same period last year.
- Gross profit of RMB258.4 million, which was down by 17.0% from the same period last year, which includes:
 - Automobile sales, which was up by 4.4% in volume to 9,087 units but sales revenue down by 13.4% in amount to RMB3,311.8 million; and
 - After-sale services, which was up by 8.8% to RMB388.4 million.
- Gross profit margin was down by 0.4% to 7.0% (30 June 2014: 7.4%).
- Profit attributable to owners of the parent for the Period was down by 75.0% to RMB33.2 million (30 June 2014: RMB133.2 million).
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was down by 77.8% to RMB0.06 for the Period as opposed to RMB0.27 for the same period last year.

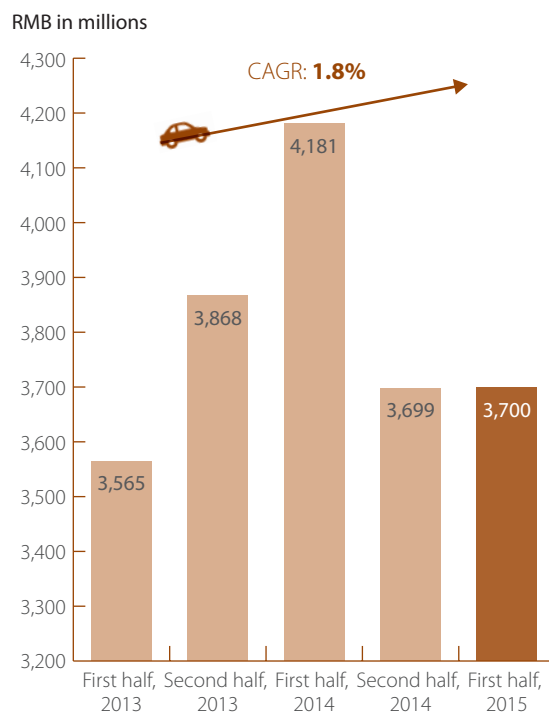


FINANCIAL HIGHLIGHTS

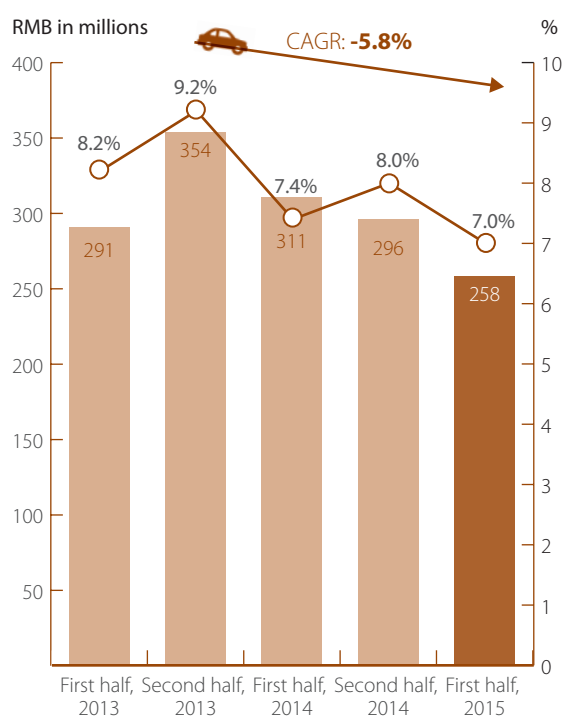
Sales volume



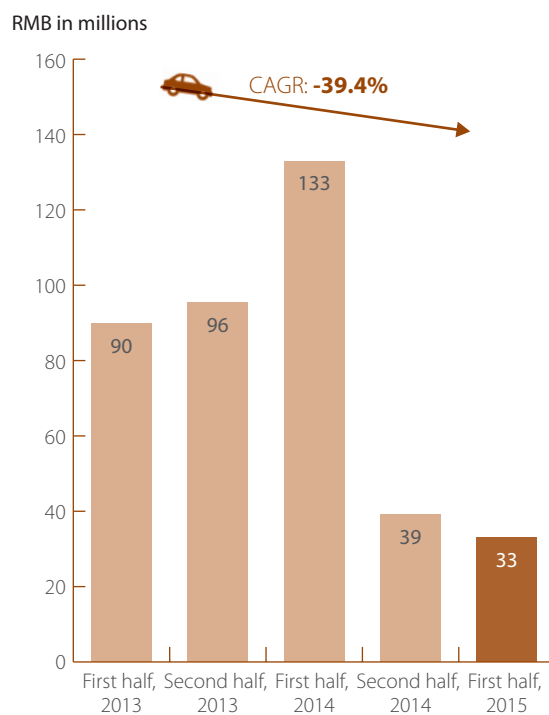
Revenue



Gross profit and gross profit margin



Profit attributable to owners of the parent



Note: CAGR refers to compounded annual growth rate from the first half of 2013 to the first half of 2015.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the **"Board"**) of Sunfonda Group Holdings Limited (the **"Company"**), I am pleased to present the interim report of the Company and its subsidiaries (the **"Group"**) for the six months ended 30 June 2015 (the **"Interim Report 2015"**).

According to the National Bureau of Statistics, the GDP in the first half of 2015 reached RMB30 trillion, up by 7.0% year-on-year in terms of comparable prices. The national economy ran within a reasonable range while major indicators gradually picked up indicating a slow, stable and positive growth. As shown by the statistics of the China Association of Automobile Manufacturers, sales volume of passenger vehicles reached 10,100,000 units in the first half of 2015, up by 4.8% year-on-year but 6.4 percentage points slower than the same period of last year. Affected by the overall macro-economic environment and the intensifying competition in the automobile sector, the Company made deliberate efforts to develop new businesses, imposed cost control measures and implemented inventory optimization.

During the Period, the major brands operated by the Group, such as Porsche and Mercedes, posted steady performance with an upward trend. As at 30 June 2015, sales of new automobile reached 9,087 units and recorded income of RMB3,311.8 million. After-sale services recorded income of RMB388.4 million. Gross profit reached RMB258.4 million. Profit attributable to owners of the Group of RMB33.2 million was recorded for the Period.

In the meantime, the Group further optimized its brand portfolio. In the first half of 2015, the Group opened a dealership store in Xi'an for each brand of Chang'an-Ford and Shanghai Volkswagen respectively, and opened a Volvo dealership store in Xianyang, Shanxi province. As of the date of this Interim Report 2015, the number of 4S stores of the Group has reached 28.

In view of the challenging retail market and, in particular, the intensifying competition among automobile dealers, the Company seeks proactively to develop new businesses by strengthening our presence in decoration, extended warranty, used automobile trading, "at-home" maintenance and emergency assistance.

Looking into the future, as the automobile sector is set to meet challenges of further consolidation and transformation, the Company, leveraging on its brand and geographical advantages, is going to consolidate its leading position among the luxury and ultra-luxury brands in Northwestern China. The management team shall adhere to the philosophy of being "Practical, Concentrated, Creative, Care" and remain committed to service quality, resources optimization and management efficiency. Regarding business development, new initiatives including developing parallel import, expanding geographical coverage by adding selectively comprehensive automobile showrooms, building integrated maintenance centres and used automobile trading centres. Albeit the market weakness, we are confident that, as products are being upgraded and people's spending capabilities are improving, the luxury brand segment targeted by the Group in Northwestern China remains very promising. With years of geographical and brand advantages, the Group will continue to strive for uplifting the recognition and reputation of the Group. Nonetheless, the Group will enhance its core competence by making prudent investments, pursuing steady and solid growth and attracting talents.

On behalf of the Board, I would like to take this opportunity to extend our heartfelt gratitude to our staff for their hard work and contribution to the steady and solid growth of the Group during the first half of 2015. Also, I would like to thank our automobile manufacturers, shareholders, business partners and customers for their long-term support to the Group.

Wu Tak Lam

Chairman

31 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

As affected by various factors such as pressure from macro-economy, slowdown in investments and consumption demands, GDP growth in PRC subsided to 7% year on year during the first half of 2015. The stock market turmoil undermined consumers wants deferring purchase decision. The overall demand for automobiles was inevitably affected. According to the State Information Center, during the first half of 2015, production and sales volume of automobiles amounted to 12.1 million units and 11.9 million units respectively, which represented increases of 2.6% and 1.4% respectively as compared with the corresponding period last year. As opposed to the expectation of 7% growth at the beginning of 2015 as far as passenger vehicles are conserved, production and sales volume reached 10.3 million units and 11.0 million units respectively, which represented increases of 6.4% and 4.8% respectively as compared with the corresponding period last year. The growth of passenger vehicle segment fared relatively faster among most other industries.

At the same time, the mainstream luxury and ultra-luxury passengers vehicle segments grew steadily by 6% when compared with the corresponding period last year. In particular, during the Period, the entire networks Porsche, Audi, Mercedes sold in the PRC 29,355 units, 273,853 units and 160,322 units respectively, which represented increases of 48.4%, 1.9% and 23.3% respectively as compared with the corresponding period of 2014. The momentum Porsche and Mercedes showed was notably strong. Meanwhile, Lexus' enviable profitability was underscored by its launch of new models.

During the first half of 2015, it was reported that several small size dealerships have been changed hand and some closed down owing to increasing pressure from inventory and bank credit. In contrast, sizeable and better established dealers managed to nourish new business units and profit centres, further differentiating themselves from competition.

The automobile market in Northwestern China is somewhat backward when compared with the South and the East. Notwithstanding years of rapid growth, the genuine user demand for automobiles remains solid and highly promising. In 2015, the penetration rate of automobiles in the region was still the lowest across the country and the growth rate with respect to the luxury and ultra-luxury brands in Northwestern China is far higher than the national average level. With the gradual implementation of the "One Belt, One Road" initiative, as well as the preferential policies so introduced to Northwestern China, the Group will continue to be benefit from the new development opportunities in the region for which, new areas and new markets have been identified and are being developed.

In addition, the after-sale market in the PRC continues to offer great potential and recorded rapid growth, especially in the luxury and ultra-luxury segments. The increase in number of automobiles owned, the upgrade in automobile products and the general aging of automobiles further enlarged the market breadth. Going forward, the Group will continue to seize such market opportunities maintaining its leading position as a dealer group in the Northwestern market of luxury and ultra-luxury automobiles.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

Vigorous Inventory Management

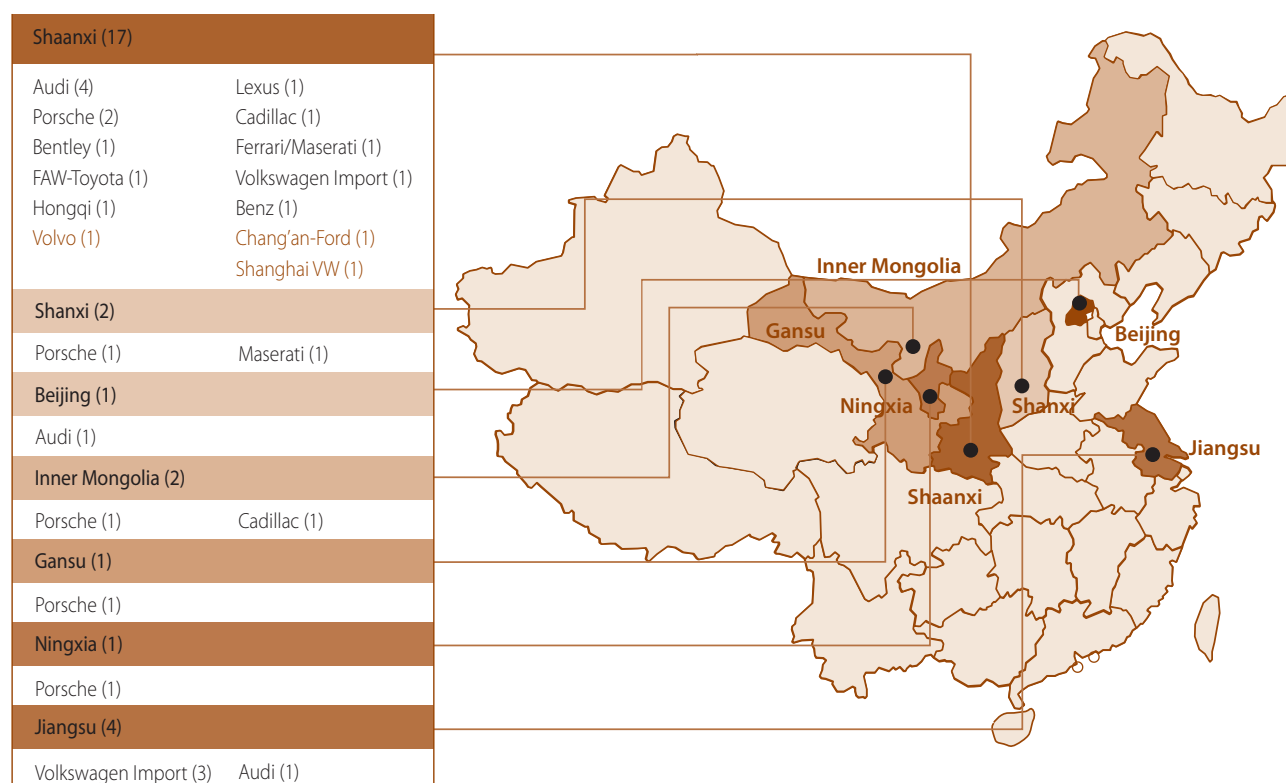
To maintain steady and healthy inventory flow, during the Period, four new models of Mercedes and one of Volkswagen have been introduced and resulted in over 100 units of such models sold in a short span of a few months.

Our average inventory turnover days were 56.2 days, which edged by 11.3 days as compared with 44.9 days in 2014, mainly attributable to the depressed sales volume nationwide from February to April and the temporarily higher than average inventory pile-up prior to the end of June 2015. The units, nonetheless, have been mostly taken up in July and August.

Needless to say, we remain committed to minimizing stock holding. Increasingly rigorous “slow-moving” inventory management programs have been ongoing across all shops since the end of the Period. The Board believes quicker asset turnover and lower stock cost will help increasing capital efficiency and strengthening the overall financial position.

New Shops to Augment Growth

The Group’s outlets in operation as at 30 June 2015 are illustrated as below:



Total outlets in operations: 28

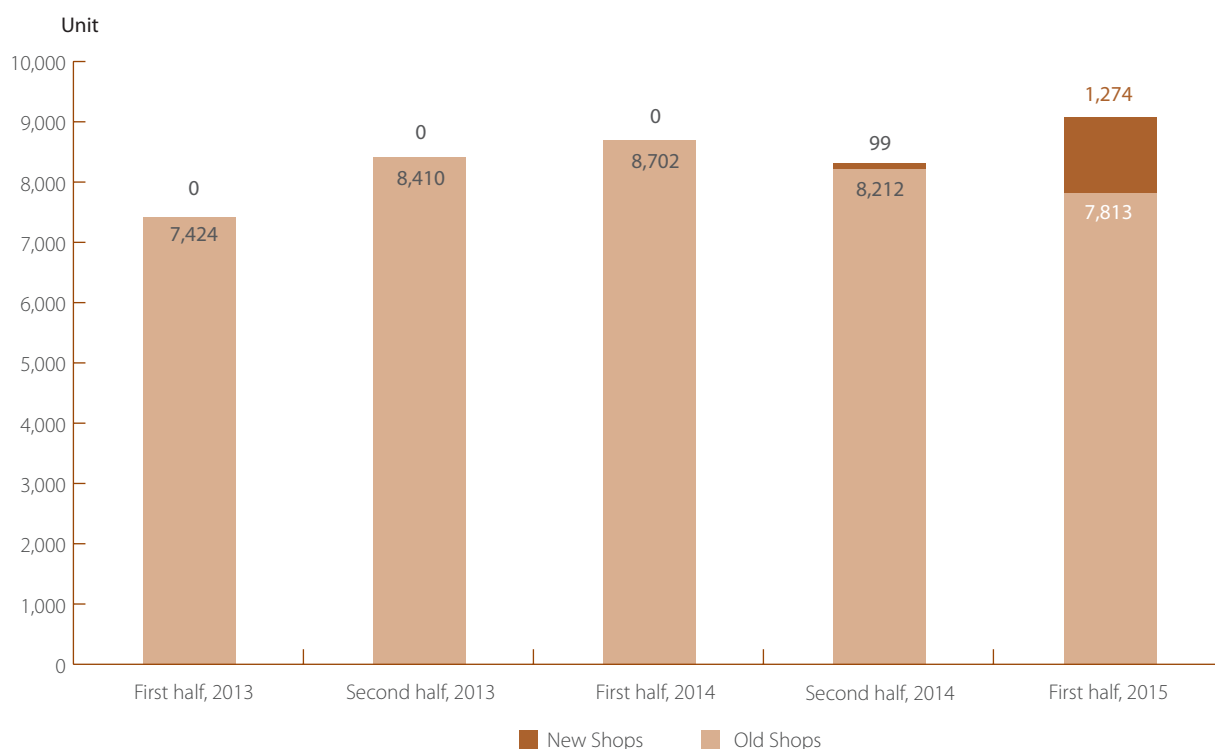
Note: Black dots represent the respective provincial capitals.

Red ink denotes new stores in operation (defined as less than 12-month-old as at 30 June 2015).

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of comparable shop sales growth, sales volume post an increase of 9.3% as compared with the second half year of 2014, indicating net growth of 776 units from the sales volume of the past six months. This is a result of the decrease in sales of 399 units recorded by the “old” stores in operation compensated by the increase in sales of 1,175 units by “new” stores in the same period.

Sales Volume



Note: “New” shops denote shops in operations of less than 12 months as at the end of Period. “Old” shops denote shops in operations of over 12 months as at the end of the Period.

However, given the current business environment, we will expand our distribution network only cautiously and meticulously. During the Period, in addition to the three “less-than-12-month-old” newly opened stores, 3 other shops have been developed: 1 Volvo in Xi’an, 1 Land Rover in Yinchuan and 1 Volkswagen Import in Xi’an, which are scheduled to contribute revenue meaningfully starting from 2016.

We will continue to focus on the “self-owned store” model that gives the management the most effective control on the operations.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue arising from automobile sales and after-sales services for the Period was RMB3,700.2 million, representing a decrease of 11.5% as compared with the RMB4,181.2 million for the six months ended 30 June 2014. The decrease was mainly attributable to the mild growth of sales volume and the increase in profit from after-sale services in the first half of 2015 more than offset by the impact from decrease in average selling price.

The following table sets forth a breakdown of the revenue and relevant information for the periods indicated:

Revenue mix	For the six months ended 30 June					
	2015			2014		
	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of passenger vehicles						
Luxury and ultra-luxury brands	3,143,715	7,946	396	3,688,122	7,875	468
Middle-end market brands	168,062	1,141	147	136,021	827	164
Sub-total	3,311,777	9,087	364	3,824,143	8,702	439
After-sales services	388,410	n.a.	n.a.	357,008	n.a.	n.a.
Total	3,700,187	n.a.	n.a.	4,181,151	n.a.	n.a.

Note: "n.a." stands for "not applicable".

Revenue arising from sales of new automobiles for the Period was RMB3,311.8 million, representing a decrease of 13.4% as compared with the RMB3,824.1 million for the six months ended 30 June 2014.

While the three major brands – Porsche, Audi and Volkswagen Import remained the predominant revenue contributors, the significant volume contraction and price decline in Volkswagen, which was consistent with all other Volkswagen dealers in the country, have outweighed the revenues and profit contributions from the other brands and business units.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue arising from after-sale services for the Period was RMB388.4 million, representing an increase of 8.8% as compared with the RMB357.0 million for the six months ended 30 June 2014. The increase was mainly attributable to: (1) the expanding dealership network and brand coverage, (2) the increasing customer retention rate in generating various after-sale services, and (3) cross-selling campaigns with insurance companies in generating maintenance orders.

The Group is engaged in the principal business of sale and service of motor vehicles under 12 brands over 7 provinces, of which Shaanxi accounts for a predominant share of total revenue. The vehicles under these brands are supplied by 13 manufacturers among which, the three largest suppliers represented 75.5% of total revenue for the Period.

Cost of sales and services

Cost of sales of automobiles and after-sale services for the Period was RMB3,441.8 million, representing a decrease of 11.1% as compared with the six months ended 30 June 2014. This is in line with the year-on-year decrease of 11.4% in total revenue.

Cost of sales of new automobiles for the Period was RMB3,240.1 million, representing a decrease of 11.5% as compared with the six months ended 30 June 2014. The decrease in amount was largely in line with the decrease in sales volume although there was a slight decrease in average unit cost as more affordable models were launched in the midst of market weakness.

Cost of after-sale services for the Period was RMB201.7 million, representing a decrease of 3.3% as compared with the six months ended 30 June 2014. The decrease was mainly due to the economy of scale and cost minimization measures implemented by the Group as the business volume gradually grew.

Please see Note 6 to the condensed interim consolidated financial statements for details.

Gross profit

As a result of the foregoing, gross profit for the Period was RMB258.4 million, representing a decrease of 17.0% as compared with the six months ended 30 June 2014.

Other income and gains, net

For the Period, other net income and gains amounted to RMB59.8 million, representing a decrease of 50.2% as compared with the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease was mainly attributable to the presence of the one-off disposal gain of RMB63.9 million in the first half of 2014 while there is approximately RMB6.8 million losses arising from the disposal of property, plant and equipment during the current six-month period.

Other sources of income, which comprise commission income, and logistics/storage income and interest income, all posted healthy growth.

Selling and distribution expenses

Selling and distribution expenses for the Period amounted to RMB124.6 million, representing an increase of 31.6% as compared with the six months ended 30 June 2014, mainly due to the expansion of sales network, recruitment of new sales and marketing oriented employees and venue leasing.

Administrative expenses

Administrative expenses for the Period amounted to RMB87.2 million as compared with the RMB97.6 million for the six months ended 30 June 2014. The small net decrease was mainly attributable to the recognition of professional fees of approximately RMB13.4 million relating to the Company's listing in May 2014, and the increase of 2.5% in administration and management personnel during the Period.

Finance costs

Finance costs for the Period amounted to RMB65.4 million, representing a decrease of 11.3% as compared with the RMB73.8 million for the six months ended 30 June 2014. The decrease was largely in line with the decreasing benchmark rates of borrowing while the total amount of bank borrowings decreased marginally.

Profit before tax

As a result of the foregoing, profit before tax for the Period amounted to RMB41.0 million, representing a decrease of 75.1% as compared with the RMB165.1 million for the six months ended 30 June 2014.

Income tax expense

Income tax expense for the Period amounted to RMB8.2 million, representing a decrease of 74.3% as compared with the RMB32.0 million for the six months ended 30 June 2014. The effective income tax rate of the Group for the Period was approximately 20.1% as a result of the increase in deferred tax assets during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period attributable to owners of the parent

For the Period, profit for the Period attributable to owners of the parent was RMB33.2 million, representing a decrease of 75.0% as compared with the RMB133.2 million for the six months ended 30 June 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new outlets, including acquisition of land use rights and construction costs, and to fund our working capital and normal operating expenses. We finance our liquidity requirements through a combination of cash flows generated from our operating activities, bank loans and other borrowings, including financing provided by the financing institutions owned by automobile suppliers in the PRC.

For the Period, our net cash flow generated from operating activities was RMB24.9 million, as compared with the RMB133.7 million of net cash flow used in operating activities for the six months ended 30 June 2014. The increase in net cash flow from operating activities was mainly attributable to the decrease in net current assets employed during the Period, which more than offset the decline in operating profit.

For the Period, our net cash flow used in investing activities was RMB112.7 million, as opposed to the RMB31.2 million of net cash flow generated from investing activities for the six months ended 30 June 2014. The decrease in net cash flow from investing activities was mainly attributable to the presence of a one-off receipt of cash arising from disposal of a subsidiary in the same period last year and the funds used in opening three new stores during the Period.

For the Period, our net cash flow generated from financing activities was RMB56.5 million, as compared with RMB653.9 million of net cash flow generated from financing activities for the six months ended 30 June 2014. The decrease in the net cash flow from financing activities was mainly attributable to the presence of cash inflows of approximately RMB375.9 million raised through the issuance of new shares in May 2014 as well as a small decrease in net borrowings of RMB241.7 million during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Net current assets/(liabilities)

For the Period, our net current assets amounted to RMB386.0 million, as compared with RMB439.1 million as at 31 December 2014. The slight decrease in net current assets was mainly a result of moderately increased scale in operations following the Initial Public Offering in May 2014.

Inventories

Our inventories primarily consist of new automobiles, spare parts and decoration accessories. For the Period, our inventories amounted to RMB1,067.2 million, which decreased moderately by 1.5% from RMB1,083.7 million as at 31 December 2014, as a result of the Group's deliberate efforts in minimizing "slow moving" inventory albeit the increase in sales volume during the Period.

In the first half of 2015, our average inventory turnover days were 56.2 days, which were 11.3 days longer than the 44.9 days in 2014 (the average inventory turnover days is the average inventory balance divided by the cost of sales and services for that period and multiplied by 180 days). The lengthening of inventory turnover days was mainly attributable to the depressed sales volume from February to April and the temporarily higher than average inventory pile-up prior to the end of June. The concerned units, nonetheless, have been mostly taken up in July and August of 2015.

Bank loans and other borrowings

As at 30 June 2015, our bank loans and other borrowings were RMB1,959.7 million, which increased by 6.6% from RMB1,837.8 million as at 31 December 2014 as a result of the increase of RMB124.8 million in form of suppliers' financing following addition of new shops while the total amount of bank borrowings have moderately decreased during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the bank loans and other borrowings as at the dates indicated:

	30 June 2015 Unaudited RMB'000		31 December 2014 Audited RMB'000	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	4.2-7.8	1,636,644	4.2-7.8	1,630,586
Other borrowings	6.4-7.0	246,083	6.5-7.0	121,257
		1,882,727		1,751,843
NON-CURRENT:				
Bank loans	6.7-7.4	77,000	6.7-7.4	86,000
		1,959,727		1,837,843
– secured		1,422,904		930,558
– unsecured		536,823		907,285
		1,959,727		1,837,843

As at 30 June 2015, our gearing ratio, which is total debt divided by the equity attributable to owners of the parent, was 124.0%. Total debt includes bank loans and other borrowings and amounts due to related parties.

Pledge of Assets

As at 30 June 2015, certain of our bank loans were secured by charges or pledges over our assets. Our assets subject to these charges or pledges as at 30 June 2015 consisted of: (i) buildings amounting to RMB322.2 million; (ii) inventories amounting to RMB398.9 million; (iii) bank deposits amounting to RMB30.0 million; and (iv) land use rights amounting to RMB176.3 million respectively.

As at 30 June 2015, certain of our inventories amounting to RMB203.7 million and certain of our bank deposits amounting to RMB150.9 million were pledged as securities for bills payable.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditures and Investment

Our capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. For the six months ended 30 June 2015, our total capital expenditures were RMB157.8 million, representing a decrease of approximately RMB50.2 million as compared with the RMB208.0 million for the six months ended 30 June 2014.

Interest Rate Risk and Foreign Exchange Risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our debts. Certain of our borrowings were variable-rate borrowings, most of which are linked to the benchmark rates of the People's Bank of China. Increases in interest rate could result in an increase in our cost of borrowing. And if this is the case, not only our finance costs, but also our profit and financial position would be adversely affected. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. We do not currently use any derivative financial instruments to hedge our exposure to interest rate risk.

Most of our revenue, cost of revenue and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We believe that we are currently not subject to any significant direct foreign exchange risk. We do not currently use any derivative financial instruments to hedge our exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 30 June 2015, we had 2,426 employees. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGY AND PROSPECTS

While continued competition among dealers is expected in the near future, the Company resolves to enhance services quality and further improve our mode of delivery. More customer-centric personnel have been recruited and innovative work flows has been formulated by the Group.

The Group will embrace the rapid development of e-commerce by fostering cooperation with online media sales channel, and increasing customers' feedback and care activities for vehicle owners. Meanwhile, the Group will selectively participate in auto shows, hold marketing campaigns jointly with high-end property launches as well as with marketers from other industries in order to drive continuous growth in overall business of the Group.

At the same time, the Group will commit more resources towards developing our e-commerce platform "Tai Auto (泰愛車)", which will seek to consolidate our on-line and off-line businesses with emphasis on the after-sale services market. In the second half of the year, the Group will launch the comprehensive after-sale maintenance business including an "at-home" maintenance segment and the "community care" concept stores so as to maximize the reach of our after-sale business segment.



CORPORATE GOVERNANCE AND OTHER INFORMATION

EQUITY INTEREST

As at 30 June 2015, the authorized share capital of the Company was US\$100,000 divided into 1,000,000,000 shares, of which 600,000,000 shares were issued and credited as fully paid.

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

As at 30 June 2015, the interests of the directors of the Company (the **"Directors"**) in the shares of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the **"SFO"**)) which were required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the **"Model Code"**), were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Notes	Number of Shares	Approximate Percentage* of Shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1	359,592,000	59.93%
Ms. Chiu Man	Interest held by controlled corporations	1	359,592,000	59.93%
Mr. Jia Ruobing	Beneficiary of a trust Beneficial owner	2	160,000	0.02%
			40,000	0.01%
			200,000	0.03%
Mr. Xia Kun	Beneficiary of a trust Beneficial owner	3	80,000	0.01%
			20,000	0.01%
			100,000	0.02%



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) These shares are held as to 351,000,000 shares by Top Wheel Limited ("**Top Wheel**") and 8,592,000 shares by Westernrobust Company Limited ("**Westernrobust**").

The issued share capital of Top Wheel is owned as to 70% by Golden Speed Enterprises Limited ("**Golden Speed**"), a corporation wholly owned and controlled by Mr. Wu Tak Lam, and 30% by Win Force Enterprises Limited ("**Win Force**"), a corporation wholly owned and controlled by Ms. Chiu Man. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are deemed to be interested in the 351,000,000 shares held by Top Wheel pursuant to Part XV of the SFO.

The entire issued share capital of Westernrobust is owned by a revocable discretionary trust (the "**Management Trust**") established for the purposes of recognizing and rewarding the contribution and performance of certain Directors and senior management of the Group pursuant to the Pre-IPO Share Award Scheme adopted by the Company on 8 January 2014 (the "**Pre-IPO Share Award Scheme**"). Top Wheel is the settlor of the Management Trust and possesses all voting rights attached to the unawarded shares and awarded shares which have not vested under the Management Trust. Thus, the Management Trust and Top Wheel are deemed to be interested in the 8,592,000 shares held by Westernrobust. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are also deemed to be interested in the 8,592,000 shares of the Company held by Westernrobust pursuant to Part XV of the SFO.

- (2) Mr. Jia Ruobing is deemed to be interested in these 160,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.
- (3) Mr. Xia Kun is deemed to be interested in these 80,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 30 June 2015.

(B) Long position in the shares of associated corporations of the Company

Name of Associated Corporation	Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage* of Shareholding in the Associated Corporation
Golden Speed Enterprises Limited	Mr. Wu Tak Lam	Beneficial owner	1	100%
	Ms. Chiu Man	Interest of spouse	1	100%
Top Wheel Limited	Mr. Wu Tak Lam	Interest held by a controlled corporation	14,000	70%
		Interest of spouse	6,000	30%
			20,000	100%
	Ms. Chiu Man	Interest held by a controlled corporation	6,000	30%
		Interest of spouse	14,000	70%
			20,000	100%



CORPORATE GOVERNANCE AND OTHER INFORMATION

Note: Mr. Wu Tak Lam holds the entire issued share capital of Golden Speed which holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu Man (an executive Director), through her wholly owned investment company, Win Force. As Top Wheel holds more than 50% of the issued share capital of the Company and Golden Speed holds more than 50% of the issued share capital of Top Wheel, Top Wheel and Golden Speed are the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of issued shares of the associated corporation as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2015, the following corporations had interests of 5% or more of the issued share capital of the Company which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Notes	Number of Shares	Approximate Percentage* of Shareholding in the Company
Top Wheel Limited	Beneficial owner	1	351,000,000	58.50%
	Founder of a discretionary trust	1	8,592,000	1.43%
			359,592,000	59.93%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	359,592,000	59.93%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	359,592,000	59.93%
Standard Chartered PLC	Interest held by controlled corporations	2	90,000,000	15.00%



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The above interest of Top Wheel, Win Force and Golden Speed was also disclosed as the interest of each of Mr. Wu Tak Lam and Ms. Chiu Man in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
 - (2) Standard Chartered PLC, a bank listed on the stock exchanges of London, Hong Kong and India, indirectly wholly owned Standard Chartered Private Equity (Mauritius) III Limited through a series of wholly owned subsidiaries, including Standard Chartered Holdings Limited, Standard Chartered Bank, SCMB Overseas Limited, Standard Chartered Holdings (International) B.V., Standard Chartered M.B. Holdings B.V., Standard Chartered Asia Limited and Standard Chartered Private Equity Limited, and is therefore deemed to be interested in the shares of the Company held by Standard Chartered Private Equity (Mauritius) III Limited.
- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, no person, other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

On 18 January 2014, the Company's adoption of a share option scheme was approved by the then shareholders (the "**Share Option Scheme**") for the purposes of recognizing and acknowledging the contributions of the qualified participants, attracting skilled and experienced personnel in order to incentivize them to remain with the Company and motivate them to strive for the future development and expansion of the Group.

The terms of the Share Option Scheme have been fully described in the paragraph headed "E. Share Option Scheme" in the section headed "Appendix V–Statutory and General Information" in the Company's Prospectus dated 30 April 2014 for the public listing of the Company's shares on the Main Board of the Stock Exchange (the "**Prospectus**").

Up to the date of this report, no share options were granted by the Company under the Share Option Scheme.

PRE-IPO SHARE AWARD SCHEME

As set out in the Prospectus, on 8 January 2014, the Company's adoption of the Pre-IPO Share Award Scheme was approved by the then shareholders for the purposes of recognizing and rewarding the contributions of the selected employees of the Group and motivating their contribution to the future development of the Group.



CORPORATE GOVERNANCE AND OTHER INFORMATION

For the implementation of the Pre-IPO Share Award Scheme, the Management Trust (as defined in the section headed “Our History and Reorganization” in the Prospectus) was established by Top Wheel on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel transferred, for nil consideration, 9,000,000 shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. 25% of the 9,000,000 shares were awarded to selected employees of the Group pursuant to the terms of the Pre-IPO Award Scheme prior to the Company’s listing while the remaining 75% will be awarded to employees of the Group after the Company’s listing.

On 15 May 2014, a total of 1,740,000 awarded shares had been granted, at nil consideration, to certain employees pursuant to the Pre-IPO Share Award Scheme, two of which are Directors.

On 21 August 2014, a total of 500,000 awarded shares had been granted, at nil consideration, to an employee pursuant to the Pre-IPO Share Award Scheme.

Under the Pre-IPO Share Award Scheme, the vesting period of awarded shares is five years during which the awarded shares granted to any particular selected employee will vest on each anniversary of the grant date of the relevant awards in equal portions.

During the Period, 408,000 awarded shares under the Pre-IPO Share Award Scheme were vested and 400,000 awarded shares under the Pre-IPO Share Award Scheme were forfeited.

The fair value of the share awards granted on 15 May 2014 was RMB4,470,000 (RMB2.90 each) and the share awards granted on 21 August 2014 was RMB1,327,000 (RMB2.65 each), of which the Group recognized a total share award expense of RMB942,000 during the Period.

The fair value of services received in return for share award granted was estimated, by reference to the market value of the shares as at the date of grant, taking into account the terms and conditions upon which the share awards were granted.

At the end of the Period, the Company had 1,232,000 awarded shares (31 December 2014: 2,040,000) were not vested under the Pre-IPO Share Award Scheme.



CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period.

CORPORATE GOVERNANCE

The Board believes effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and enhance the interests of the shareholders. The Company's corporate governance practices are based on 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 (the "**Listing Rules**"). The Board is of the view that, during the Period, the Company has complied with the code provisions set out in the CG Code.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director is set out as follow: Mr. Fu Johnson Chi-King has retired as an independent non-executive director of China Hanking Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 03788), on 28 May 2015.

CHANGES IN MANAGEMENT OF THE COMPANY

Mr. Wang Taisong resigned as Chief Financial Officer of the Company on 5 June 2015.

Mr. Cheng Wai Ho was appointed as Chief Financial Officer of the Company to replace Mr. Wang Taisong on 15 June 2015. Mr. Cheng, aged 49, has 10 years of working experience with international investment banks and property analysis, including Goldman Sachs (Asia) Ltd and CLSA Ltd, and 8 years of experience as Chief Financial Officer in listed companies and financial institutions. Mr. Cheng is particularly experienced in investment, financing, corporate restructure, listing application, mergers & acquisitions, strategic management and accounting in multinational enterprises and China private enterprises. Mr. Cheng has been Chief Financial Officer and general manager of Dynasty Capital Partners Ltd. during 2011 to 2015, and Chief Financial Officer and executive director of China New Town during 2006 to 2010. He is a Certified Public Accountant and qualified member of CPA Australia and possesses bachelor degree in Economics from University of Hong Kong and master degree in finance from University of Strathclyde, Scotland.



CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION AND DISPOSAL

During the Period, the Group acquired 100% of the equity interests of Yinchuan Shunchi Lujie Automobile Sales & Services Co. Ltd. at a total consideration of RMB10.1 million. Please see Note 19 to the condensed interim consolidated financial statements for details.

MATERIAL LITIGATION AND ARBITRATION

During the Period, the Group was neither involved in any material litigation or arbitration, nor may be brought up of accused of any pending material litigation or claims.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting standards and practices that the Company adopted, and discussed matters related to internal control and financial reporting. The audit committee has reviewed the Company's unaudited condensed consolidated financial statements for the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code, Appendix 10 to the Listing Rules, as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, all of them confirmed that they had complied with the Model Code throughout six months ended 30 June 2015.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the **"Relevant Employees"**) in respect of their dealings in the securities of the Company (the **"Written Guidelines"**) on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company for the six months ended 30 June 2015.



INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Revenue	5	3,700,187	4,181,151
Cost of sales and services	6	(3,441,790)	(3,869,988)
Gross profit		258,397	311,163
Other income and gains, net	7	59,774	120,000
Selling and distribution expenses		(124,574)	(94,693)
Administrative expenses		(87,204)	(97,640)
Profit from operations		106,393	238,830
Finance costs	10	(65,422)	(73,779)
Profit before tax	11	40,971	165,051
Income tax expense	12	(8,233)	(31,978)
Profit for the period		32,738	133,073
Attributable to:			
Owners of the parent		33,236	133,158
Non-controlling interests		(498)	(85)
		32,738	133,073
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic and diluted (RMB)		0.06	0.27

The accompanying notes on pages 32 to 52 form an integral part of the condensed interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
PROFIT FOR THE PERIOD	32,738	133,073
<i>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(404)	(1,875)
Total comprehensive income for the period, net of tax	32,334	131,198
Attributable to:		
Owners of the parent	32,832	131,283
Non-controlling interests	(498)	(85)
	32,334	131,198

The accompanying notes on pages 32 to 52 form an integral part of the condensed interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		921,116	887,863
Land use rights		210,433	201,196
Intangible assets		3,790	4,097
Prepayments		114,161	121,305
Deferred tax assets		26,711	14,691
Goodwill		510	–
Total non-current assets		1,276,721	1,229,152
CURRENT ASSETS			
Inventories	14	1,067,164	1,083,657
Trade receivables	15	51,961	41,854
Prepayments, deposits and other receivables	16	738,074	601,558
Amounts due from a related party	21(b)	27,817	16,430
Available-for-sale investments		–	20,000
Pledged bank deposits		180,908	316,090
Cash in transit		21,626	35,472
Cash and cash equivalents		855,215	886,966
Total current assets		2,942,765	3,002,027
CURRENT LIABILITIES			
Bank loans and other borrowings	17	1,882,727	1,751,843
Trade and bills payables	18	384,547	518,445
Other payables and accruals		259,907	259,357
Income tax payable		29,581	33,267
Total current liabilities		2,556,762	2,562,912
NET CURRENT ASSETS		386,003	439,115
TOTAL ASSETS LESS CURRENT LIABILITIES		1,662,724	1,668,267
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	17	77,000	86,000
NET ASSETS		1,585,724	1,582,267



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital		377	377
Reserves	22	1,580,508	1,546,734
Proposed final dividend		–	29,819
		1,580,885	1,576,930
Non-controlling interests		4,839	5,337
Total equity		1,585,724	1,582,267

Director: **Wu Tak Lam**

Director: **Chiu Man**

The accompanying notes on pages 32 to 52 form an integral part of the condensed interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000*	Capital reserve RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Share award reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Proposed	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
									final			
									dividend			
At 1 January 2015	377	347,058	125,420	55,521	157,947	1,512	4,766	854,510	29,819	1,576,930	5,337	1,582,267
Profit for the period	-	-	-	-	-	-	-	33,236	-	33,236	(498)	32,738
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(404)	-	-	(404)	-	(404)
Total comprehensive income for the period	-	-	-	-	-	-	(404)	33,236	-	32,832	(498)	32,334
Equity-settled share award expense (note 6)	-	-	-	-	-	942	-	-	-	942	-	942
Final 2014 dividend declared	-	-	-	-	-	-	-	-	(29,819)	(29,819)	-	(29,819)
At 30 June 2015 (Unaudited)	377	347,058	125,420	55,521	157,947	2,454	4,362	887,746	-	1,580,885	4,839	1,585,724

	Attributable to owners of the parent										
	Share capital	Share premium	Capital reserve	Statutory reserve	Merger reserve	Share award reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000
At 1 January 2014	285	-	125,420	51,664	157,947	-	9,791	685,997	1,031,104	4,977	1,036,081
Profit for the period	-	-	-	-	-	-	-	133,158	133,158	(85)	133,073
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,875)	-	(1,875)	-	(1,875)
Total comprehensive income for the period	-	-	-	-	-	-	(1,875)	133,158	131,283	(85)	131,198
Issue of shares (note 17)	92	375,798	-	-	-	-	-	-	375,890	-	375,890
Equity-settled share award expense (note 6)	-	-	-	-	-	272	-	-	272	-	272
At 30 June 2014 (Unaudited)	377	375,798	125,420	51,664	157,947	272	7,916	819,155	1,538,549	4,892	1,543,441

* These reserve accounts comprise the consolidated reserves of RMB1,580,508,000 and RMB1,538,172,000 as at 30 June 2015 and 30 June 2014, respectively in the consolidated statement of financial position.

The accompanying notes on pages 32 to 52 form an integral part of the condensed interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Operating activities			
Profit before tax		40,971	165,051
Adjustments for:			
Depreciation of property, plant and equipment	11(c)	53,013	38,547
Amortization of land use rights	11(c)	2,784	5,038
Amortization of intangible assets	11(c)	316	306
Interest income	7	(5,100)	(1,972)
Net loss on disposal of property, plant and equipment	7	6,778	10,383
Equity-settled share award expense	11(a)	942	272
Finance costs	10	65,422	73,779
Write back of long-aged advance from customers		(2,490)	(11,164)
Gain on disposal of a subsidiary	7	–	(63,949)
		162,636	216,291
Decrease/(increase) in pledged bank deposits		135,182	(52,459)
Decrease in cash in transit		13,846	21,233
(Increase)/decrease in trade receivables		(10,107)	6,624
Increase in prepayments, deposits and other receivables		(126,927)	(171,773)
Decrease/(increase) in inventories		16,493	(363,235)
(Decrease)/increase in trade and bills payables		(133,898)	106,818
Increase in other payables and accruals		3,040	139,595
Increase in amounts due from a related party		(11,387)	(522)
Cash generated/(used in) from operations		48,878	(97,428)
Tax paid		(23,939)	(36,243)
Net cash generated/(used in) from operating activities		24,939	(133,671)

The accompanying notes on pages 32 to 52 form an integral part of the condensed interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Investing activities			
Purchase of property, plant and equipment		(147,328)	(206,989)
Proceeds from disposal of property, plant and equipment		59,855	29,296
Purchase of land use rights		(10,448)	(527)
Purchase of intangible assets		(9)	(457)
Interest received		5,100	1,972
Disposal of a subsidiary		–	(20,888)
Acquisition of a subsidiary	19	(10,096)	–
Proceeds from disposal of available-for-sale investments		20,000	–
Dividends paid		(29,819)	–
Receipt of amount due from the disposed subsidiary		–	228,810
Net cash used in investing activities		(112,745)	31,217
Financing activities			
Proceeds from bank loans and other borrowings		2,997,793	2,563,888
Repayment of bank loans and other borrowings		(2,875,909)	(2,200,256)
Proceeds from issue of shares		–	430,600
Share issue expense		–	(54,710)
Repayment of amounts due to the Controlling Shareholders		–	(11,836)
Interest paid		(65,422)	(73,779)
Net cash generated from financing activities		56,462	653,907
Net (decrease)/increase in cash and cash equivalents		(31,344)	551,453
Cash and cash equivalents at the beginning of each period		886,966	451,930
Effect of foreign exchange rate changes, net		(407)	2,275
Cash and cash equivalents at the end of each period		855,215	1,005,658

The accompanying notes on pages 32 to 52 form an integral part of the condensed interim consolidated financial statements.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 Company 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 the Mainland China.

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

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year end 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”). The interim condensed consolidated financial statements were presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousands except when otherwise indicated. The interim condensed consolidated financial statements have not been audited.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015, noted below.

(a) New and amended standards adopted by the Group

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning 1 January 2015.

HKAS 19 Amendments	Amendments to HKAS 19 – <i>Defined Benefit Plans: Employee Contributions</i> ¹
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 July 2014

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2015 and have not been early adopted:

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 10 and HKAS 28 (Revised) Amendments	Amendments to HKFRS 10 and HKAS 28 (Revised) – <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Revised) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – <i>Investment Entities: Applying the Consolidation Exception</i> ¹
HKFRS 11 Amendments	Amendments to HKFRS 11 <i>Joint Arrangements</i> – <i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 – <i>Disclosure Initiative</i> ¹
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 – <i>Agriculture: Bearer Plants</i> ¹
HKAS 27(Revised) Amendments	Amendments to HKAS 27 <i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2010-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts IFRSs for its annual financial statements

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. 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 services, 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 area

Since the Group's revenue and operating profit were predominantly generated from the sale and service of motor vehicles within the Shaanxi Province of the Mainland China, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue. No major customer segment information is presented in accordance with HKFRS 8 Operating Segments.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5. REVENUE

Revenue

	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Revenue from the sale of motor vehicles	3,311,777	3,824,143
Others	388,410	357,008
	3,700,187	4,181,151

The Group generates revenue principally from selling automobiles and providing after-sale services.

During the six months ended 30 June 2015, revenue of RMB3,700.2 million (2014: RMB4,181.2 million) was recorded as a result of general price weakness, which more than offsets moderate growth in unit sales and after-sale services.

Revenue arising from after-sale services posted a healthy year-on-year increase of 8.8% as a result of growing customer base, which benefited from the expanding dealership network and the broadening brand coverage. The Group's deliberate efforts during the past two years in promoting decoration accessories and working with insurance companies in generating maintenance orders have borne fruit.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6. COST OF SALES AND SERVICES

	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Sales of motor vehicles	3,240,087	3,661,310
Others	201,703	208,678
	3,441,790	3,869,988

The overall cost of sales for the six months ended 30 June 2015 was RMB3441.8 million, which was 11.1% lower than the same period last year. This puts the gross profit margin at 7.0% for the Period (2014: 7.4%).

Cost of sales of new automobiles for the Period decreased 11.5% as opposed to the decrease in revenue arising from sale of new automobiles of 13.4%. It is evident that the purchasing power remained soft during the period concerned. Price competition among 4S shops across the country continued to intensify. There was some moderate decrease in average unit cost as more affordable models were launched in the midst of market weakness.

Notably, subsequent to the close of 30 June 2015, we were informed by our suppliers Shanghai Volkswagen and FAW-VW (Audi) that our sales effort had been rewarded with rebates respectively of RMB10.5 million and a total of 13.1 million for seven of our outlets. The latter in form of cash has been fully collected and recognized in the Combined Statements. The former is to be distributed over three years, of which the first RMB4.3 million has been collected by the respective stores. For prudence purpose, the rebate-in-arrears will not be recognized until the payment is received. While there is no guarantee that such rebate will recur, the Group going forward remains determined to exceed various suppliers' sales targets so as to gain rebates to enhance profitability.

Nevertheless, this resulted in lower gross profit margin of 2.2% for the Period (2014: 4.3%).

Cost of after-sale services for the six months ended 30 June 2015 was RMB201.7 million, which was 3.4% lower than the same period last year. During the Period, the Group's deliberate efforts in promoting this high margin business has resulted in encouraging growth in this business unit.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7. OTHER INCOME AND GAIN, NET

	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Commission income	46,536	41,085
Logistics and storage income	9,200	9,050
Interest income	5,100	1,972
Net loss on disposal of property, plant and equipment	(6,778)	(10,383)
Gain on disposal of a subsidiary	–	63,949
Write back of long-aged advance from customers	2,490	11,164
Others	3,226	3,163
	59,774	120,000

Other net income and gains decreased to RMB59.8 million (2014: RMB120.0 million) during the Period owing to the aberration caused by the one-off disposal gain of RMB63.9 million in 2014 and losses of RMB6.8 million arising from disposal of property, plant and equipment during the current Period.

During the first six months ended 30 June 2015, thanks to rise in penetration rate of the credit and insurance business, the Group recorded over 60% growth in renewal premium while the new insurance business posted a slight increase in the midst of the much softened automobile sales volume.

8. SELLING AND DISTRIBUTION EXPENSES

During the Period, the selling and distribution expenses of Group were increased by 31.6% to RMB124.6 million owing to the increase of marketing expenses and recruitment of new sales & marketing oriented employees as the Group added new brands to the portfolio.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

9. ADMINISTRATIVE EXPENSES

Administrative expenses decreased to RMB87.2 million from RMB97.6 million in the same period last year. While RMB13.4 million was spent on the IPO exercise in the first half of 2014, professional fees were moderated to RMB3.2 million this period.

10. FINANCE COSTS

	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Interest expense on bank borrowings wholly repayable within five years	57,418	57,144
Interest expense on other borrowings	8,004	16,635
	65,422	73,779

Finance costs decreased moderately as the cost of borrowing decreased in line with the decreasing benchmark rates of borrowing.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

11. PROFIT BEFORE TAX

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

	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	61,354	44,249
Equity-settled share award expense	942	272
Other welfare	9,881	10,530
	72,177	55,051
(b) Cost of sales and services:		
Cost of sales of motor vehicles	3,240,087	3,661,310
Others*	201,703	208,678
	3,441,790	3,869,988
* There were employee benefit expenses of RMB17,639,000 (six months ended 30 June 2014: RMB27,900,000) included in the cost of sales and services.		
(c) Other items		
Depreciation of property, plant and equipment	53,013	38,547
Amortisation of land use rights	2,784	5,038
Amortisation of intangible assets	316	306
Advertisement and business promotion expenses	25,763	15,668
Lease expenses	6,861	13,741
Bank charges	3,637	3,584
Office expenses	11,112	11,263
Logistics and petroleum expenses	4,291	4,053
Net loss on disposal of property, plant and equipment	6,778	10,383
Gain on disposal of a subsidiary	—	(63,949)



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

12. INCOME TAX

	For the six months ended 30 June 2015 Unaudited RMB'000	For the six months ended 30 June 2014 Unaudited RMB'000
Current Mainland China corporate income tax	20,314	33,136
Deferred tax	(12,081)	(1,158)
	8,233	31,978

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

The calculation of the basic earnings per share for the six months ended 30 June 2015 amount is based on the profit for the year attributable to owners of the parent. The weighted average number of ordinary shares used to calculate the basic earnings per share in the six months ended 30 June 2015 was 600,000,000.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2014 was 488,121,547, which includes the weighted average of 150,000,000 shares issued in connection with the Company's IPO as defined in the prospectus dated 30 April 2014 and the aforesaid 450,000,000 ordinary shares.

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

14. INVENTORIES

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Motor vehicles (at cost or at net realizable value)	985,103	1,005,101
Spare parts and accessories (at cost or at net realizable value)	82,061	78,556
	1,067,164	1,083,657

As at 30 June 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB398,851,000 (31 December 2014: RMB325,766,000) were pledged as security for the Group's bank loans and other borrowings.

As at 30 June 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB203,663,000 (31 December 2014: RMB196,456,000), were pledged as security for the Group's bills payables.

15. TRADE RECEIVABLES

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

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Within 3 months	37,369	33,457
More than 3 months but less than 1 year	13,211	7,436
Over 1 year	1,381	961
Total	51,961	41,854

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.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Due to the increase of the deposits of relevant suppliers, the prepayments, deposits and other receivables were increased by 22.7% from the end of December 2014.

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Prepayments and deposits to suppliers	444,217	346,573
Vendor rebate receivables	186,212	153,647
VAT receivables (i)	60,909	64,601
Others	46,736	36,737
Total	738,074	601,558

Notes:

- (i) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable VAT rate for domestic sales of the Group is 17%.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

17. BANK LOANS AND OTHER BORROWINGS

	30 June 2015 Unaudited RMB'000		31 December 2014 Audited RMB'000	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	4.2-7.8	1,636,644	4.2-7.8	1,630,586
Other borrowings	6.4-7.0	246,083	6.5-7.0	121,257
		1,882,727		1,751,843
NON-CURRENT:				
Bank loans	6.7-7.4	77,000	6.7-7.4	86,000
		1,959,727		1,837,843
– secured		1,422,904		930,558
– unsecured		536,823		907,285
		1,959,727		1,837,843

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Analyzed into:		
Bank loans repayable		
Within one year or on demand	1,636,644	1,630,586
In the second year	29,750	34,000
In the third to fifth years, inclusive	47,250	52,000
	1,713,644	1,716,586
Other borrowings repayable		
Within one year or on demand	246,083	121,257
Total	1,959,727	1,837,843



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

17. BANK LOANS AND OTHER BORROWINGS (*continued*)

- (a) As at 30 June 2015, certain of the Group's bank loans and other borrowings are secured by:
- (i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB176,267,000 (31 December 2014: RMB91,207,000);
 - (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB322,239,000 (31 December 2014: RMB252,117,000);
 - (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB398,851,000 (31 December 2014: RMB325,766,000).
 - (iv) mortgages over the bank deposits, which had an aggregate carrying value of approximately RMB30,000,000 (31 December 2014: RMB64,000,000).
- (b) The increase in other borrowings was mostly owing to increase in suppliers' financing. During April and May 2015, the Group had placed several larger-than-average orders to acquire more popular Porsche models in view of increased demand. Those units have been mostly sold in July and August. Nonetheless, it caused some temporary increase in other borrowings.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

18. TRADE AND BILLS PAYABLES

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Trade payables	114,772	70,317
Bills payable	269,775	448,128
Trade and bills payables	384,547	518,445

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

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Within 3 months	346,664	502,002
3 to 6 months	29,281	13,399
6 to 12 months	7,248	2,984
Over 12 months	1,354	60
Total	384,547	518,445

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

As at 30 June 2015, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB203,663,000 (31 December 2014: RMB196,456,000).

As at 30 June 2015, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB150,908,000 (31 December 2014: RMB252,090,000).



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. BUSINESS COMBINATION

On 12 March 2015, the Group acquired 100% of the equity interests of Yinchuan Shunchi Lujie Automobile Sales & Service Co., Ltd. (銀川順馳路捷汽車銷售服務有限公司, "Yinchuan Shunchi Lujie"), which is engaged in the motor vehicle sales and service business in Mainland China, at a total consideration of RMB10,100,000. The purchase consideration for the acquisition was in the form of cash, with RMB10,100,000 paid during the Period.

The fair values of the identifiable assets and liabilities of Jincheng Tangdi as at the date of acquisition were as follows:

	Fair values recognized on acquisition RMB'000
Prepayments, deposits and other receivables	9,586
Cash and cash equivalents	4
Total identifiable net assets at fair value	9,590
Goodwill on acquisition	510
Satisfied by cash	10,100

An analysis of the cash flows in respect of the acquisition of Jincheng Tangdi is as follows:

	RMB'000
Cash consideration	(10,100)
Cash and cash equivalents acquired	4
Net cash outflow included in cash flows from investing activities	(10,096)

Since the acquisition, the acquired business had not generated revenue and contributed a loss of RMB125,901 to the consolidated profit for the Period.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

20. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of land use rights and property and equipment outstanding at each reporting date not provided for these financial statements as follows:

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Contracted, but not provided for land use rights and buildings	44,486	50,562

(b) Operating lease commitments

At each reporting date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 Unaudited		31 December 2014 Audited	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within 1 year	5,207	3,622	15,239	3,622
After 1 year but within 5 years	13,562	14,889	40,967	14,780
After 5 years	13,996	8,180	23,300	9,714
	32,765	26,691	79,506	28,116

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of three to fifteen years, with an option to renew the leases when all the terms are renegotiated.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

21. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders of the Group. They are also the key management personnel and considered to be related parties of the Group.

Mr. Zhao Yijian is a close family member of the Controlling Shareholders and considered to be a related party of the Group.

The Group had the following transactions with related parties during the reporting period:

(a) Transactions with related parties

During the year, revenue from the sale of motor vehicles to certain related parties are as follows:

	30 June 2015 Unaudited RMB'000	30 June 2014 Unaudited RMB'000
Yangzhou Sunfonda Automobile Co., Ltd. (i)	16,819	26,272

(i) Yangzhou Sunfonda Automobile Co., Ltd. is controlled by Mr. Zhao Yijian.

(b) Balances with related parties

(i) Due from a related party:

	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Trade related: Yangzhou Sunfonda Automobile Co., Ltd.	27,817	16,430



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

21. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(c) Compensation of key management personnel of the Group:

	30 June 2015 Unaudited RMB'000	30 June 2014 Unaudited RMB'000
Short term employee benefits	1,657	1,577
Equity-settled share award expense	692	54
Post-employee benefits	72	72
Total compensation paid to key management personnel	2,421	1,703

22. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies, which were consolidated from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder and waive of liabilities by the Controlling Shareholders. The deductions represent acquisition of equity interests in subsidiaries from the Controlling Shareholders for business combination under common control.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

23. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at each reporting date were as follows:

Group

Financial assets

30 June 2015

	Available-for-sale financial assets Unaudited RMB'000	Loans and receivables Unaudited RMB'000
Trade receivables	–	51,961
Financial assets included in prepayments, deposits and other receivables	–	248,678
Amounts due from a related party	–	27,817
Pledged bank deposits	–	180,908
Available-for-sale investments	–	–
Cash in transit	–	21,626
Cash and cash equivalents	–	855,215
	–	1,386,205

31 December 2014

	Available-for-sale financial assets Audited RMB'000	Loans and receivables Audited RMB'000
Trade receivables	–	41,854
Financial assets included in prepayments, deposits and other receivables	–	190,384
Amounts due from a related party	–	16,430
Pledged bank deposits	–	316,090
Available-for-sale investments	20,000	–
Cash in transit	–	35,472
Cash and cash equivalents	–	886,966
	20,000	1,487,196



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
Trade and bill payables	384,547	518,445
Financial liabilities included in other payables and accruals	139,581	122,906
Bank loans and other borrowings	1,959,727	1,837,843
	2,483,855	2,479,194

25. DIVIDENDS

The Board of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

26. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2015.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on 31 August 2015.

