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 2015

FINANCIAL HIGHLIGHTS

Revenue for the year ended 31 December 2015 decreased by 5.0% to RMB7,487.1 million as compared with the corresponding period in 2014.

Gross profit for the year ended 31 December 2015 decreased by 19.2% to RMB490.7 million as compared with the corresponding period in 2014.

Revenue from after-sales services for the year ended 31 December 2015 increased by 8.2% to RMB797.9 million as compared with the corresponding period in 2014.

Gross profit margin for after-sales services increased to 47.5% for the year ended 31 December 2015 from 45.2% for the year ended 31 December 2014.

Profit attributable to owners of the parent for the year ended 31 December 2015 decreased by 85.0% to RMB25.9 million as compared with the corresponding period in 2014.

Basic and diluted earnings per share attributable to ordinary equity holders of the parent for the year ended 31 December 2015 was RMB0.04.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2015.

ANNUAL RESULTS

The board of the directors (the "Board") of Sunfonda Group Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the "Group" or "we") for the year ended 31 December 2015 together with comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5(a)	**7,487,079**	7,879,528
Cost of sales and services	6(b)	**(6,996,371)**	(7,272,444)
Gross profit		**490,708**	607,084
Other income and gains, net	5(b)	**118,212**	201,468
Selling and distribution expenses		**(267,229)**	(249,460)
Administrative expenses		**(178,298)**	(186,624)
Profit from operations		**163,393**	372,468
Finance costs	7	**(121,759)**	(138,642)
Profit before tax	6	**41,634**	233,826
Income tax expense	8	**(16,507)**	(61,096)
Profit for the year		**25,127**	172,730
Attributable to:			
Owners of the parent		**25,916**	172,370
Non-controlling interests		**(789)**	360
		25,127	172,730
Earnings per share attributable to ordinary equity holders of the parent	10		
Basic and diluted (RMB)		**0.04**	0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**25,127**	172,730
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,419**	(5,025)
Other comprehensive income for the year, net of tax	**19,419**	(5,025)
Total comprehensive income for the year	**44,546**	167,705
Attributable to:		
Owners of the parent	**45,335**	167,345
Non-controlling interests	**(789)**	360
	44,546	167,705

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**928,746**	887,863
Land use rights		**259,531**	201,196
Intangible assets		**3,525**	4,097
Prepayments		**100,461**	121,305
Goodwill		**510**	–
Deferred tax assets		**29,809**	14,691
Total non-current assets		**1,322,582**	1,229,152
CURRENT ASSETS			
Inventories	*11*	**692,609**	1,083,657
Trade receivables	*12*	**51,064**	41,854
Prepayments, deposits and other receivables		**638,119**	601,558
Amount due from a related party		**28,672**	16,430
Available-for-sale investments		**33,512**	20,000
Pledged bank deposits		**269,400**	316,090
Cash in transit		**29,288**	35,472
Cash and cash equivalents		**933,157**	886,966
Total current assets		**2,675,821**	3,002,027
CURRENT LIABILITIES			
Bank loans and other borrowings		**1,529,675**	1,751,843
Trade and bills payables	*13*	**466,689**	518,445
Other payables and accruals		**281,173**	259,357
Income tax payable		**26,136**	33,267
Total current liabilities		**2,303,673**	2,562,912
NET CURRENT ASSETS		**372,148**	439,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,694,730**	1,668,267

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		**96,000**	86,000
NET ASSETS		**1,598,730**	1,582,267
EQUITY			
Equity attributable to owners of the parent			
Share capital		**377**	377
Reserves		**1,593,805**	1,576,553
		1,594,182	1,576,930
Non-controlling interests		**4,548**	5,337
Total equity		**1,598,730**	1,582,267

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. 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 for the first time for the current year's financial statements.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Amendment to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Annual Improvements 2012-2014 Cycle	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 HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

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. No mandatory effective date yet determined but is available for adoption.

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 HKFRS. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding one-year deferral of the mandatory effective date of HKFRS 15 on 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 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.

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 customer information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

Revenue represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

	2015	2014
	RMB'000	*RMB'000*
Revenue from the sale of motor vehicles	**6,689,191**	7,142,136
Others	**797,888**	737,392
	7,487,079	7,879,528

(b) Other income and gains, net:

	2015	2014
	RMB'000	*RMB'000*
Commission income	**103,262**	87,348
Logistics and storage income	**20,406**	21,219
Interest income	**9,514**	7,164
Advertisement support received from motor vehicle manufacturers	**1,201**	15,000
Net loss on disposal of items of property, plant and equipment	**(22,921)**	(13,896)
Write-back of long-aged advance from customers	**2,891**	9,311
Gain on disposal of a subsidiary	**–**	70,448
Investment income	**600**	–
Others	**3,259**	4,874
	118,212	201,468

6. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Wages and salaries	**123,533**	115,924
Equity-settled share award expense	**1,736**	1,512
Other welfare	**20,773**	22,742
	146,042	140,178

(b) Cost of sales and services

	2015	2014
	RMB'000	*RMB'000*
Cost of sales of motor vehicles	**6,577,337**	6,868,182
Others *	**419,034**	404,262
	6,996,371	7,272,444

* Employee benefit expenses of RMB36,948,000 (2014: RMB33,492,000) were included in the cost of sales and services.

(c) Other items

	2015	2014
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**103,961**	94,993
Amortisation of land use rights	**6,022**	7,724
Amortisation of intangible assets	**638**	639
Auditors' remuneration	**2,080**	2,100
Advertising and business promotion expenses	**61,558**	55,113
Lease expense	**12,664**	19,611
Bank charges	**8,641**	7,153
Office expenses	**23,377**	24,427
Logistics expenses	**8,897**	7,801
Net loss on disposal of items of property, plant and equipment	**22,921**	13,896
Investment income	**(600)**	–
Gain on disposal of a subsidiary	**–**	(70,448)

7. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank borrowings and other borrowings	**121,759**	147,687
Less: interest capitalised	**–**	(9,045)
	121,759	138,642

8. INCOME TAX EXPENSE

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

	2015	2014
	RMB'000	*RMB'000*
Current Mainland China corporate income tax	**31,626**	60,830
Deferred tax	**(15,119)**	266
	16,507	61,096

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% (2014: 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 for 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 the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**41,634**	233,826
Tax at the applicable tax rate (25%)	**10,409**	58,456
Different tax rate for a subsidiary in Hong Kong	**–**	(11,113)
Adjustment in respect of current tax of previous periods	**1,409**	488
Expenses not deductible for tax	**1,089**	556
Tax losses not recognised	**3,600**	12,709
Tax charge	**16,507**	61,096

9. DIVIDENDS

	2015	2014
	RMB'000	***RMB'000***
Proposed final – Nil (2014: HK6.3 cents) per ordinary share	**–**	29,819
	–	29,819

The Board did not recommend the payment of any final dividend for the year ended 31 December 2015.

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

The calculation of the basic earnings per share amount for the year ended 31 December 2015 is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 600,000,000 in issue during the year.

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 period since 1 January 2014 to 7 January 2014 were 450,000,000, which were deemed to have been issued throughout the period.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2014 and 2015.

	2015	2014
	RMB	*RMB*
Earnings		
Profit attributable to ordinary equity holders of the parent	**25,916,000**	172,370,000

	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	**600,000,000**	544,520,548
Earnings per share		
Basic and diluted (RMB)	**0.04**	0.32

11. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Motor vehicles (at cost or at net realisable value)	**626,258**	1,005,101
Spare parts (at cost)	**66,351**	78,556
	692,609	1,083,657

At 31 December 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB312,282,000 (2014: RMB325,766,000) were pledged as security for the Group's bank loans and other borrowings.

At 31 December 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB291,715,000 (2014: RMB196,456,000) were pledged as security for the Group's bills payable (note 13).

12. TRADE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**51,064**	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.

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**39,164**	33,457
More than 3 months but less than 1 year	**10,849**	7,436
Over 1 year	**1,051**	961
	51,064	41,854

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

	2015	2014
	RMB'000	***RMB'000***
Neither past due nor impaired	**50,013**	40,893
Over one year past due	**1,051**	961
	51,064	41,854

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

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**110,127**	70,317
Bills payable	**356,562**	448,128
Trade and bills payables	**466,689**	518,445

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**418,780**	502,002
3 to 6 months	**37,704**	13,399
6 to 12 months	**7,993**	2,984
Over 12 months	**2,212**	60
	466,689	518,445

The trade payables and bills payables are non-interest-bearing. The trade and bills payables are normally settled on 90-day term.

As at 31 December 2015, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB291,715,000 (2014: RMB196,456,000).

As at 31 December 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 RMB269,400,000 (2014: RMB252,090,000).

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 posted a year-on-year decrease to 6.9% in 2015. The slowdown in demand for downstream real estates and infrastructure and loss suffered from the investment in stock market undermined certain consumers' preference to defer car purchase, resulting in slowdown in both investments and consumption demands. The automobile sector was therefore affected to a certain extent. According to the relevant statistics of China Association of Passengers Vehicle (中國乘用車聯會), during the year 2015, the sales volume of general passenger vehicles amounted to 20.58 million units, which represented an increase of 8.5% as compared with the corresponding period last year, indicating a stable and positive growth as a whole and, on the other hand, proving that automobile are regular consumer products with rigid demand. The overall automobile consumption market upsurged following a dip in 2015, among which, the development of luxury and ultra-luxury brands automobile of leading brands that include Porsche, Benz and Lexus showed a strong rising trend.

In particular, the sales of the following brands which the Group owns the dealership, performed very well in 2015. Sales volume reached to approximately 58,000 units of Porsche, 571,000 units of Audi, 374,000 units of Benz, 87,000 units of Lexus and 80,000 units of Cadillac, etc. in PRC in 2015, which represented increases of approximately 23.6%, 1%, 32.6%, 13.1% and 8.9%, respectively as compared with the corresponding period of 2014. Among which, the momentum of Porsche and Benz was notably strong. Meanwhile, Lexus enviable growth in profitability was underscored by its launch of new models. The operational service of automobile products of relevant brands also generated considerable income for the Group.

Given the competition in the automobile market and the steady increase in sales volumes of new automobiles in the fourth quarter of 2015, the cooperation between automobile brands and dealers were increasingly mature and rational. The merger and acquisition of a small number of dealership groups in 2015 due to the problems in respect of operational management and cash flows have caught the attention of various dealership groups, which prompted them streamlining their own businesses and exploring new business opportunities to nourish new profit centres. The Group operated steadily throughout 2015 by implementing a series of measures, such as developing steadily without excessive expansion and upholding refined management, which has made its advantages more prominent under such competitive environment.

Since the development of the automobile sector in Northwestern China commenced at a later time than that of the Southeastern markets, after the rapid growth in the last few years, it finally showed signs of stabilization. The rigid demand for vehicles was gradually released with a great potential for development. Coupled with the implementation of the strategic plans under the "One Belt, One Road" initiatives in the current stage, there are increasing number of preferential policies introduced for Western China. Benefitted from such policies, the Group gained new development opportunities in such regions. Meanwhile, the Group also gradually expanded into certain new regions with development potential and exploited its advantages in these new markets.

Moreover, the automobile after-sales services market in China continued to show great potential for development and realized rapid growth, especially the after-sales services market for passenger vehicles of luxury and ultra-luxury brands. The increase in number of automobiles ownership, the upgrade in automobile products and the aging of automobiles further enlarged the market breadth in the PRC. Regarding automobile after-sales services, the Group's professional and technical capability continued to enhance customers' loyalty. In addition, the automobile finance market became increasingly active and it is estimated that the total scale of the PRC automobile finance market will reach approximately RMB1.5 trillion in 2020. The estimated penetration rate of automobile finance industry is 50%. The Group has also stepped up its efforts in the management of the automobile financing business and attained satisfactory results in 2015.

BUSINESS REVIEW

Given the challenges faced by the automobile dealership industry as a result of the slowdown of economic growth rate and intensifying competition in the automobile industry in 2015, the Group had been closely monitoring the market conditions and taking timely adjustments to the direction of operational management. Meanwhile, by strengthening the establishment of the Group's management system, the overall standard of operational management and capability in coordination and planning have been greatly enhanced, significant achievements have been made in cost saving and broadening our income streams.

Focus on Principal Businesses to Ensure Steady Growth

For sales management, the Group clearly specified the management powers and responsibilities of the functional management department, strengthened its monitoring and guidance to the operation of all stores, thereby effectively enhanced their execution capability and various performance indicators. This, in turn, has protected the Group in times of great pressure under the economy downturn and thus remained profitable in general.

As a leading dealership corporation of luxury and ultra-luxury automobiles in Northwestern China, the performance varied across different businesses of the Group during the year 2015. Among which, the sales of new automobiles faced severe market challenges and recorded a significant decrease in gross profit despite an increase in number of units sold. During the reporting period, the Group's sales of new automobiles reached 20,064 units, representing an increase of 17.9% as compared with the corresponding period in 2014; the total revenue and gross profit amounted to RMB6,689.2 million and RMB111.9 million, representing decreases of 6.3% and 59.2% respectively as compared with the corresponding period in 2014.

For after-sales services, there is an overall downtrend in the automobile after-sales market in 2015. By establishing after-sales customer management system and developing sticky business, the Group has suppressed the decline in business. The after-sales services business was relatively stable and recorded a slight growth. In 2015, the Group has enhanced the gross profit margin of after-sales service by controlling the maintenance costs, as a result, the maintenance gross profit has increased by 13.7% as compared to that of 2014.

As for customer management, the Group changed from passive to active by strengthening the accountability of customer management and continuously establishing and improving the assessment of customer management. At the same time, we have stepped up our efforts in the development and sales of sticky products (warranty renewal and extension business). The enhancement of customer stickiness would help to effectively control the churn rate. For the operating costs of after-sales services, the Group effectively cut down the cost through measures such as stringent internal cost control and centralized procurement. Benefitted from the above factors, the revenue from after-sales services of the Group for 2015 was 797.9 million; and the gross profit margin of after-sales services was 47.5%.

Apart from the two principal businesses of sales of new automobile and after-sales services, the Group's value-added business of new automobile sales also grew steadily. In 2015, the revenue from the financing and new automobile insurance businesses of the Group increased by 18.2% as compared with the corresponding period of 2014.

Strengthening Business Cooperation and Introducing New Development Model

"Tai Auto (泰愛車)" online service platform invested by the Group was officially launched in the fourth quarter of 2015 as a strategic development project. As "Tai Auto (泰愛車)", an "at-home" comprehensive service tool on WeChat, provides customers with more convenient and faster warranty, maintenance and repairing services of better quality, it has been well-received by the customers. The customers of the Group may complete their enquiries, order placing and payments for new or used automobiles, repairing services, spare parts, etc. by using the online tools. The whole process is a great achievement of the Group so that the customers can enjoy a more fashionable and convenient shopping experience. Such online tools may also further improve the loyalty of customers to the Group and further enhance the brand awareness of Sunfonda in China.

In 2015, the Group has maintained a high degree of sensitivity to market changes and followed the market trend to steadily and pragmatically implement the operation and management of dealership stores and the pace of online platform expansion was under reasonable control. The Group adopted a more prudent approach in terms of brand application. Based on the trend of market and industrial development, the Group attempted to introduce new energy vehicle brands and selected brands with high competitiveness. Meanwhile, it has slowed down the pace of application and establishment of traditional automobile brands. During the year under review, the Group has established a dealership store in Xi'an City for each of Chang'an-Ford and Shanghai Volkswagen, and opened a Volvo dealership store in Xianyang City, Shaanxi, all of which has optimized the brand portfolio of the Group. As of the date of this announcement, the Group has a total of 27 4S dealership stores.

Used Automobile Business

With the rapid growth in the domestic transaction volume of used automobiles in recent years, the Group is extremely conscious that there are great potential for the development goals of used automobile market in future and therefore optimized the business models of used automobile at the Group's operational level and formulated a specific plan for achieving its development goals in mid 2015. Such plan has been thoroughly implemented in the second half of the year, the establishment of structure and position setting of the used automobile teams of the stores of the Group have gradually improved and the overall business capabilities were also significantly enhanced through strengthened and centralized training and assessment. At the same time, the Group has stepped up its efforts in monitoring and management of used automobile business on the operational level by setting specific targets, developing corresponding management tools as well as enhanced performance and position evaluation systems, thereby laying a solid foundation for the rapid development of the used automobile business sector of the Group in 2016.

Rapid Development of Financing and Insurance Businesses

For financing business, we have strengthened our financial cooperation with the suppliers, fully leveraging the advantages of suppliers' financial products to actively explore customers' needs. While maximizing the penetration rate of financial products of suppliers, the Group has also received good economic returns. At the same time, we explored and developed new channels continuously, so as to compensate the lack of timeliness of the financial products and services provided by the suppliers. We also actively enhanced the cooperation with newly developed financial institutions in order to develop more new products to cater for the differentiated demands of customers. These efforts have further improved the penetration rate of financial products and the overall financial penetration rate of the Group in 2015 was considerably higher than that of 2014.

The Group paid close attention to the development of insurance renewal business in 2015. The Group has assigned dedicated personnel to be responsible for management of the business and strengthened the supervision, training, guidance and assessment for insurance renewal. The Group has also given its strong support in terms of policy. With the efforts in the past year, the Group's business model is becoming more mature and there was substantial growth in the overall results, which has generated steady after-sales revenue and actively promoted the increase of stickiness of customers to the Group.

Strengthening Internal Management to Boost Operational Efficiency

The Group continuously enhanced the management functions of the operation and management center of the Group by improving its strategic planning capability and level, gradually optimizing the establishment of operation and management systems and actively exploring aspects such as determination of goals, integration of resources, business optimization, team motivation, establishment of systems and nurturing of corporate culture. Meanwhile, for the operation and management models, the Group attempted to adopt a management model that integrates brand management and regional management by leveraging its own features such as business scale and network distribution, so as to clearly define responsibilities and powers and strengthen its execution capability. After the practical experience in the past year, the management model has generated satisfactory results and provided a reliable basis for the determination of operation and management models of the Group.

In 2015, after over 15 years of hardwork, the Group has provided quality automobile sales and integrated services to more than 100,000 customers. The Group's "Sunfonda" brand received the prestigious title of Shaanxi Famous Trademark (陝西省著名商標). Meanwhile, benefited from the excellent performance of the team, the Group was also granted the title "Global Diamond Dealer" by the headquarter of Volkswagen Group Germany. In 2016, the Group will further strengthen the implementation of the customer management system and pay more attention to maintaining customers' satisfaction and loyalty with a view to further improve the Group's reputation and enhance the market influence in the regions it operates.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2015 was RMB7,487.1 million, representing a decrease of RMB392.4 million or 5.0% as compared with the corresponding period in 2014. Of which, revenue arising from the sale of new automobiles was RMB6,689.2 million, representing a decrease of RMB452.9 million or 6.3% as compared to that for the corresponding period in 2014. The decrease in revenue arising from the sale of new automobiles was attributable to the fact that automobile manufacturers have launched more car models with lower prices, which has resulted in corresponding adjustments in the sales structure of our car models, and thus the number of sales of low-priced car models increased but our revenue decreased. Meanwhile, larger sales discounts have been offered in order to clear some of the aging car models in the third quarter of 2015. In addition, revenue arising from after-sales services was RMB797.9 million, representing an increase of RMB60.5 million or 8.2% as compared to that for the corresponding period in 2014. The increase in revenue arising from after-sales services was attributable to the increase in business volume through the strengthening of after-sales customer management system and the development of sticky products.

A substantial portion of revenue of the Group was generated from sale of new automobiles, accounting for 89.3% of our revenue for the year ended 31 December 2015 (2014: 90.6%). During the year, the remaining part of revenue of the Group was generated from after-sales services, accounting for 10.7% of our revenue for the year ended 31 December 2015 (2014: 9.4%). 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					
	2015			2014		
	Amount	**Sales volume**	**Average selling price**	Amount	Sales volume	Average selling price
	(RMB'000)	***(Unit)***	***(RMB'000)***	*(RMB'000)*	*(Unit)*	*(RMB'000)*
Sales of passenger automobiles						
Luxury and ultra-luxury brands	**6,165,520**	**16,494**	**373.8**	6,892,044	15,462	445.7
Mid-end market brands	**523,671**	**3,570**	**146.7**	250,092	1,551	161.2
Sub-total	**6,689,191**	**20,064**	**333.4**	7,142,136	17,013	419.8
After-sales services	**797,888**			737,392		
Total	**7,487,079**			7,879,528		

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2015 was RMB6,996.4 million, representing a decrease of RMB276.0 million or 3.8% as compared to that for the corresponding period in 2014. Cost of sales of new automobiles for the year ended 31 December 2015 was RMB6,577.3 million, representing a decrease of RMB290.8 million or 4.2% as compared to that for the corresponding period in 2014. The decrease in average cost of sales of new automobile was attributable to the fact that automobile manufacturers have launched more car models with lower prices, which has resulted in corresponding adjustments in the sales structure of our car models, and thus the number of sales of low-priced car models increased but our total costs decreased. Cost of after-sales services for the year ended 31 December 2015 was RMB419.1 million, representing an increase of RMB14.8 million or 3.7% as compared to that for the corresponding period in 2014. The increase in cost of after-sales services was attributable to the fact that the business volume of after-sales services increased as revenue increases. However, the increase in business volume was lower than that of the revenue arising from after-sales services business as we have reduced part of the cost of after-sales services through centralized procurement.

Gross Profit

Gross profit for the year ended 31 December 2015 was RMB490.7 million, representing a decrease of RMB116.4 million or 19.2% as compared to that for the corresponding period in 2014. Of which, gross profit of sales of new automobiles was RMB111.9 million, representing a decrease of RMB162.0 million or 59.1% as compared to that for the corresponding period in 2014; gross profit of after-sales services was RMB378.8 million, representing an increase of RMB45.7 million or 13.7% as compared to that for the corresponding period in 2014. For the year ended 31 December 2015, gross profit of after-sales services accounted for 77.2% of our total gross profit (2014: 54.9%).

Gross profit margin for the year ended 31 December 2015 was 6.6% (2014: 7.7%). Of which, gross profit margin for sales of new automobiles was 1.7% (2014: 3.8%) and gross profit margin for after-sales services was 47.5% (2014: 45.2%).

Other Net Income and Gains

For the year ended 31 December 2015, other net income and gains amounted to RMB118.2 million, representing a decrease of 41.3% as compared with the RMB201.5 million for the year ended 31 December 2014.

Other net income and gains mainly consists of commission income from automobile insurance agency services and automobile financing agency business, subsidies to advertising expenses offered by automobile manufacturers, logistics and storage income and interest income.

Although commission income from automobile value-added services maintained steady growth and recorded an increase of 18.2% as compared to the corresponding period last year, the reason for the decrease in other net income and gains was the one-off gain of RMB70.4 million generated from our disposal of equity interests in Beijing Sunfonda Boao Commercial Trading Co., Ltd. (北京新豐泰博奧商貿有限責任公司), a subsidiary of the Company, in 2014.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2015 amounted to RMB267.2 million, representing an increase of 7.1% as compared with the RMB249.5 million for the year ended 31 December 2014, mainly due to the increase in salary payments of sales newly hired sales staff, the increase in advertisement and promotion expenses and the increase of the business tax and tax surcharges.

As a percentage of revenue, the selling and distribution costs increased from 3.2% for the year ended 31 December 2014 to 3.6% for the year ended 31 December 2015.

Administrative Expenses

Administrative expenses for the year ended 31 December 2015 amounted to RMB178.3 million, representing a decrease of 4.4% as compared with the RMB186.6 million for the year ended 31 December 2014. The decrease in administrative expenses was attributable to the Group's reasonable control over its administrative expenses.

As a percentage of revenue, the administrative expenses remained flat at 2.4% for the years ended 31 December 2014 and 31 December 2015.

Finance Costs

Finance costs for the year ended 31 December 2015 amounted to RMB121.8 million, representing a decrease of 12.1% as compared with the RMB138.6 million for the year ended 31 December 2014. The decrease was mainly attributable to the decrease in whole-vehicle procurement, the decrease in average inventory which led to a decrease in inventory financing and interest rates of bank borrowings as well as slowdown of loan renewal. The scale of financing declined from RMB1,837.8 million as at 31 December 2014 to RMB1,625.7 million as at 31 December 2015, among which the balance of bank borrowings decreased by RMB284.0 million, and the balance of other financing (including financing from automobile manufacturers and bank commercial bills) increased by RMB71.9 million due to increase of stores in operation for new brands.

Profit Before Tax

As a result of the foregoing, profit before tax for the year ended 31 December 2015 amounted to RMB41.6 million, representing a decrease of 82.2% as compared with the RMB233.8 million for the year ended 31 December 2014.

Income Tax Expense

Income tax expense for the year ended 31 December 2015 amounted to RMB16.5 million, representing a decrease of 73.0% as compared with the RMB61.1 million for the year ended 31 December 2014. The effective income tax rate of the Group for the year ended 31 December 2015 was approximately 39.7%, which was mainly due to the impact of 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 2015 was RMB25.1 million, representing a decrease of 85.5% as compared with the RMB172.7 million for the year ended 31 December 2014.

Profit for the Year Attributable to Owners of the Parent

For the year ended 31 December 2015, profit for the year attributable to owners of the parent was RMB25.9 million, representing a decrease of 85.0% as compared with the RMB172.4 million for the year ended 31 December 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the year ended 31 December 2015, our net cash flow generated from operating activities was RMB613.6 million, as compared with the RMB76.6 million of net cash flow generated from operating activities for the year ended 31 December 2014. The increase in net cash inflow of operating activities was mainly attributable to the acceleration of sales of aging inventory, control of procurement pace and the decrease in cost of capital for inventory.

For the year ended 31 December 2015, our net cash outflow for investing activities was RMB225.3 million, as compared with the RMB27.1 million of net cash outflow for investing activities for the year ended 31 December 2014. The increase in net cash outflow of investing activities was mainly attributable to the receipt of RMB303.5 million due to the disposal of subsidiary in 2014 and the expenses for new land use rights of RMB56.8 million in 2015.

For the year ended 31 December 2015, our net cash outflow for financing activities was RMB363.7 million, as compared with RMB387.9 million of net cash inflow for financing activities for the year ended 31 December 2014. The decrease in the net cash flow of financing activities was mainly attributable to the net cash inflows of approximately RMB430.6 million raised through the issuance of new shares in May 2014, as well as the decrease in net borrowings of approximately RMB381.1 million in 2015.

Net Current Assets

As at 31 December 2015, our net current assets amounted to RMB372.1 million, as compared with RMB439.1 million of net current assets as at 31 December 2014. The decrease in net current assets was mainly attributable to the decrease in inventory of RMB391.1 million and the decrease in short-term bank loans and other borrowings of RMB222.1 million.

Inventories

Our inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 31 December 2015, our inventories amounted to RMB692.6 million, representing a decrease of 36.1% as compared with the RMB1,083.7 million as at 31 December 2014, mainly due to the acceleration of sales of aging inventory, control of procurement pace, decrease in inventory turnover days, especially the inventory turnover days for new automobiles, in the third quarter of 2015, as well as the significant decrease in cost of capital for inventory in the second half of 2015.

In 2015, our average inventory turnover days were 45.7 days, slightly longer than the 44.9 days in 2014 (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that year and multiplied by 360 days), mainly attributable to the fact that we had to increase our inventory for the new sales outlets in the first half of the year, but for the second half of the year, we focused on the acceleration of the sales of aging inventory, which has resulted in a similar level as compared to the corresponding period last year.

Bank Loans and Other Borrowings

As at 31 December 2015, our bank loans and other borrowings were RMB1,625.7 million, representing a decrease of 11.5% as compared with RMB1,837.8 million as at 31 December 2014, which was mainly attributable to the Company's strategy to slowdown the development of sales network, maintain steady business operation and lower the cost of capital for inventory. The Company has also supplemented its daily working capital through funds from listing, which has resulted in decreased demand for funding from bank loans and thus utilization of its financial resources in a more effective manner.

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

	As at 31 December			
	2015		2014	
	Effective interest rate *(%)*	**Amount** ***RMB'000***	Effective interest rate *(%)*	Amount *RMB'000*
CURRENT				
Bank loans	**1.4-7.4**	**1,336,512**	4.2-7.8	1,630,586
Other borrowings	**5.6-7.9**	**193,163**	6.5-7.0	121,257
Sub-total		**1,529,675**		1,751,843
NON-CURRENT				
Bank loans	**6.9-7.4**	**96,000**	6.7-7.4	86,000
Total		**1,625,675**		1,837,843
Among which:				
Secured loans		**1,191,839**		930,558
Unsecured loans		**433,836**		907,285
Total		**1,625,675**		1,837,843

As at 31 December 2015, our gearing ratio, which is total debt divided by the equity attributable to owners of the parent, was 102.0%. Total debt includes bank loans and other borrowings.

Pledge of Assets

As at 31 December 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 31 December 2015 consisted of: (i) inventories amounting to RMB312.3 million; (ii) property, plant and equipment amounting to RMB258.6 million; (iii) land use rights amounting to RMB160.3 million; and (iv) available-for-sale investments amounting to RMB33.5 million.

As at 31 December 2015, certain of our inventories amounting to RMB291.7 million and pledged bank deposits amounting to RMB269.4 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 2015, our total capital expenditures were RMB322.2 million, representing a decrease of approximately RMB110.4 million as compared with the RMB432.6 million for the year ended 31 December 2014.

Contingent Liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities or guarantees.

Staff Cost and Employee Remuneration Policy

Staff cost of the Group increased by 5.4% from RMB173.7 million for the year ended 31 December 2014 to RMB183.0 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in staff cost resulting from the new dealership stores in the second half of 2014 and 2015. At the same time, the Group has streamlined all positions based on its business development and appropriately streamlined the setting of various positions. The Group offers attractive remuneration packages, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and after-sales staff with performance-based bonuses based on their contribution to 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. In order to keep up with the rapid development of the Group's network, the Group also continued to build up its quality talent pool and prudently manage its human resources and made corresponding adjustments to the arrangement of positions based on the changes in overall business volume. Meanwhile, the Group attaches great importance to the reserve of talent and teambuilding. Regular trainings in respect of business skills, expertise and professional qualifications have been provided to key personnel. The Group also pays close attention to the career development of its employees, so as to provide primary drivers for the future development of the Group.

Interest Rate Risk

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 risk.

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 risk.

FUTURE STRATEGY AND PROSPECTS

New Energy Projects

As the government is increasingly concern about environmental protection, in 2015, the production and sales volume of new energy vehicles in China reached 340,471 units and 331,092 units respectively, representing year-on-year increases of 3.3 times and 3.4 times respectively. At the same time, the government also announced in December 2015 the subsidy policy for new energy vehicles during 2016 to 2020. The Group also closely monitored the progress of new energy vehicles projects. Apart from the authorization granted by DENZA, a new energy automobile brand, the Company is also in the process of negotiation with a few other new energy vehicle manufacturers. Meanwhile, the Company has also studied and explored the layout of charging stations, so as to tap into the field of construction of urban electricity supply system for new energy vehicles. The Group is expected to increase its investment in this business in 2016.

Used Automobile Business

With the increase in number of automobile ownership in the PRC, the frequency of vehicle replacement has increased and the replacement cycle has shortened accordingly. According to the statistics from China Automobile Dealers Association, during January to December 2015, the total volume of used automobile trading in the PRC was 9.417 million units, which represented a year-on-year increase of 2.3%, among which, the volume of used automobile in Northwestern China where the Group operated accounted for only 5.1%, indicating great potential for development. The Group also established professional teams for developing the used automobile business and actively promoted the establishment of the demonstration and trading center for used automobile. Besides, it has commenced to comprehensively cooperate with renowned and professional used automobile websites in China, including yiche.com (易車網), Youxinpai (優信拍) and 58.com (58同城), aiming to establish Sunfonda as a professional brand for used automobile, so as to better satisfy the demand of consumers and ensure steady growth of our customer base. In 2016, the used automobile business is expected to generate great returns to the Group.

Expansion of Internet Sales Channel

Driven by the "Internet+" concept promoted by the PRC Government, more and more consumers choose to conduct enquiries and transactions online. The Group has also commenced its online marketing and attained fruitful results, through which it has established long-term cooperation relationships with famous online platforms in China, including yiche.com (易車網) and autohome.com.cn (汽車之家). In 2015, the number of orders from these new online platform customers accounted for 30% of the total number of orders, and it is expected to further increase in 2016. Meanwhile, the Group cooperated with a renowned We-media in Northwestern China which has attracted customer transactions for the Company. At the same time, the promotion of such online platforms and the official WeChat platform of our own has enhanced customers' understanding of and interests in the Group, thereby further enhancing the stickiness between the Group and the customers.

E-commerce Projects

Meanwhile, "Tai Auto (泰愛車)" online service platform invested by the Group was officially launched in the fourth quarter of 2015 as a strategic development project. As "Tai Auto (泰愛車)", an "at-home" comprehensive service tool on WeChat, provides customers with more convenient, faster, affordable warranty, maintenance and repairing services, it has been well-received by the customers. In respect of the research and development for the "Tai Auto Mall App (泰愛車商城App)", the Company has introduced a professional IT team for program writing. Upon the official launch in 2016, it is expected that "Tai Auto Mall App (泰愛車商城App)" will enable the Group's customers to complete the pre-order and financial leasing of new automobiles by using online tools, which can further enhance customer's satisfaction and enable them to enjoy a more fashionable and convenient shopping experience. The Group estimates that such online tools will improve the customers' loyalty to the Company and further enhance the brand image of Sunfonda nationwide.

"Tai Auto Mall" Community Comprehensive Services Experience Center

As a platform to provide further express after-sales services, the Group also commenced the study and discussion on the design and planning for community comprehensive services experience center, and has completed the establishment and design proposal for the project in 2015. It is expected to establish the physical network covering the major communities in Xi'an district successively in 2016, thereby achieving seamless connection of online and offline networks by leveraging the "Tai Auto Mall App (泰愛車商城App)" and WeChat terminal. The experience center not only can provide after-sale services for automobiles, but may also integrate the operational strategy and principle of the Group of "People – Automobile – Health" to provide customers with demonstration and experience of health-related products. The Group estimated that these businesses will achieve a significant contribution in 2016.

Looking into the future, the Company will continue to leverage on its brand and geographical advantages and exert greater efforts in enhancing and implementing the above new business models on the basis of steady development in traditional business segments, in order to boost the profit growth. Meanwhile, the Group will also pay close attention on and consider the opportunities for acquisition or merger as appropriate, with an aim to further enhance the overall profitability of the Group, create greater returns for the shareholders and realize sustainable and solid development of the Company.

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 during the year ended 31 December 2015.

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 year ended 31 December 2015.

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 year ended 31 December 2015.

Use of Proceeds

For the year ended 31 December 2015, the Group utilized the proceeds raised cautiously based on the development of the market and the Group's business. During 2015, the Group made capital contribution of US$20.0 million for the establishment of Sunfonda (China) Investment Company Limited (新豐泰(中國)投資有限公司) in Shanghai Free-Trade Zone as a holding platform for the diversification of our business in China, which will provide working capital for our business development and thus reduce bank loans and lower the Group's overall financial costs.

Audit Committee

The Audit Committee (consisting of the three independent non-executive directors of the Company) has reviewed the consolidated financial statements for the year ended 31 December 2015, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2015 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

Final Dividend

The Board resolved not to recommend the payment of any final dividend for the year ended 31 December 2015 to shareholders of the Company.

Annual General Meeting and Closure of Register of Members

The Company's 2016 annual general meeting will be held on Tuesday, 31 May 2016. In order to determine shareholders' entitlement to attend and vote at the 2016 annual general meeting, the register of members of the Company will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016 (both days inclusive). In order to be entitled to attend and vote at the 2016 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 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 Thursday, 26 May 2016.

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 2015 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, 31 March 2016

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.