



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

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2022  
 INTERIM REPORT

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## CORPORATE INFORMATION

### CHINESE NAME OF THE COMPANY

新豐泰集團控股有限公司

### ENGLISH NAME OF THE COMPANY

Sunfonda Group Holdings Limited

### INVESTOR INQUIRIES

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### BOARD OF DIRECTORS

#### Executive Directors

Mr. Wu Tak Lam (*Chairman of the Board*)

Ms. Chiu Man (*Chief Executive Officer*)

Mr. Gou Xinfeng

Ms. Chen Wei

#### Independent Non-executive Directors

Mr. Liu Jie

Mr. Song Tao

Dr. Liu Xiaofeng

### AUDIT COMMITTEE

Mr. Liu Jie (*Chairman*)

Mr. Song Tao

Dr. Liu Xiaofeng

### NOMINATION COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Mr. Liu Jie

Mr. Song Tao

Dr. Liu Xiaofeng

### REMUNERATION COMMITTEE

Mr. Song Tao (*Chairman*)

Mr. Liu Jie

Dr. Liu Xiaofeng

### FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Ms. Chiu Man

Mr. Liu Jie

### AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam

Ms. Chan Sze Ting

### COMPANY SECRETARY

Ms. Chan Sze Ting (*ACG, HKACG*)

### HEADQUARTER

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No. 1555 Ouya 1st Road

Beichen Avenue

Chanba Ecological District

Xi'an City, Shaanxi Province

PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cayman Islands

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Wanchai, Hong Kong

## LEGAL ADVISERS

### PRC Law

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Chaoyang District, Beijing  
PRC

### Hong Kong Law

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Edinburgh Tower  
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Central, Hong Kong

## AUDITORS

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Quarry Bay, Hong Kong

## PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited  
151 Des Voeux Road Central  
Central, Hong Kong

China CITIC Bank Corporation Limited, Xi'an Branch  
No. 1, Zhuque Avenue  
Xi'an City, Shaanxi Province  
PRC

Bank of China Limited, Shaanxi Branch  
No. 18, North Section of Tangyan Road  
Xi'an City, Shaanxi Province  
PRC

## STOCK CODE

01771

## WEBSITE

[www.sunfonda.com.cn](http://www.sunfonda.com.cn)



## FINANCIAL HIGHLIGHTS

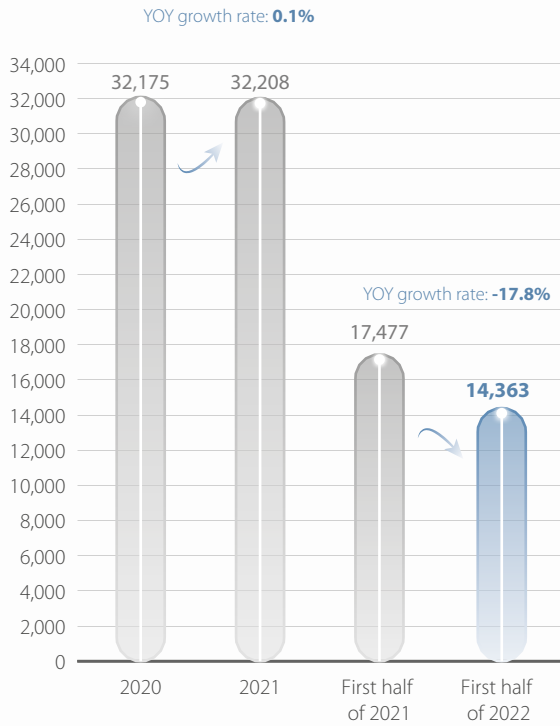
During the period from 1 January 2022 to 30 June 2022, the Group has recorded:

- Operating revenue of RMB5,156.4 million, which was down by 15.8% from the same period in 2021, including:
  - Sales volume of new vehicles down by 17.8% to 14,363 units, and revenue from the sales of new vehicles down by 16.0% to RMB4,431.2 million;
  - Revenue from after-sales services down by 15.2% to RMB542.1 million; and
  - Revenue from the sales of used cars down by 12.3% to RMB183.1 million.
- Gross profit of RMB416.5 million, which was down by 13.8% from the same period in 2021.
- Gross profit margin was 8.1% (same period in 2021: 7.9%), of which gross profit margin of sales of new automobiles was 3.9% (same period in 2021: 3.7%).
- Profit before tax for the Period decreased by 58.0% to RMB123.1 million (same period in 2021: RMB292.8 million, including the one-off investment gains of approximately RMB145.2 million arising from the disposal of the equity investment in a company which was not engaged in main business, accounting for approximately 49.6% of the profit before tax for the same period in 2021).
- Profit attributable to owners of the parent for the Period was down by 64.7% to RMB77.8 million (same period in 2021: RMB220.6 million).
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent decreased to RMB0.13 for the Period as compared to RMB0.37 for the same period in 2021. The board of directors of the Company resolved to declare an interim dividend of HK\$0.04 (equivalent to approximately RMB0.03) per ordinary share for the six months ended 30 June 2022 (same period in 2021: HK\$0.05 (equivalent to approximately RMB0.04)).

# FINANCIAL HIGHLIGHTS

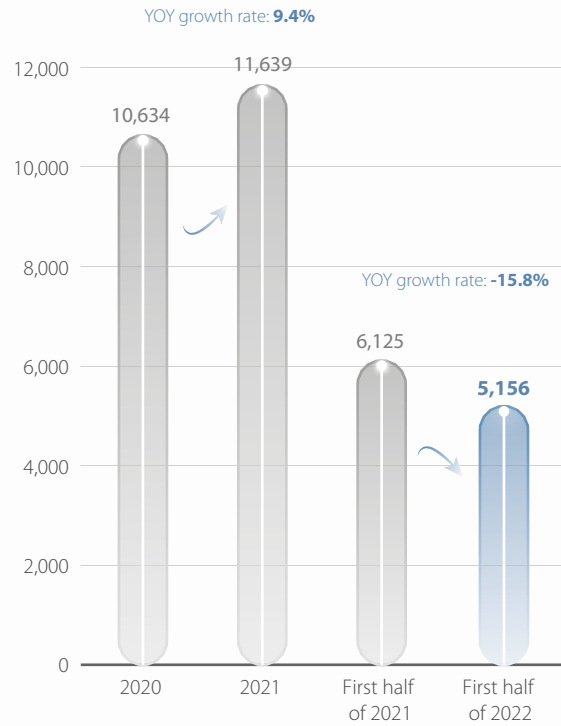
## Sales volume of new vehicles

Units



## Revenue

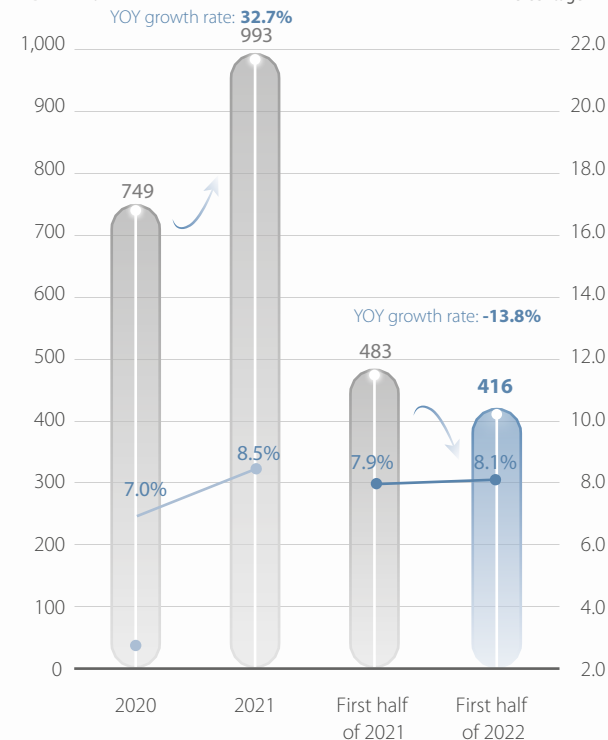
RMB in million



## Gross profit and gross profit margin

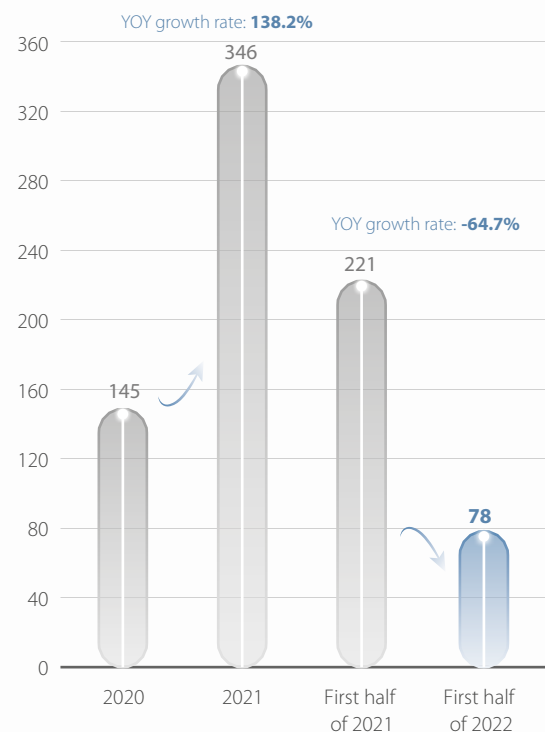
RMB in million

Percentage



## Equity attributable to owners of the parent

RMB in million



Note: "YOY" refers to year-on-year.



## 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"**, **"we"** or **"our"** or **"Sunfonda"**) for the six months ended 30 June 2022 (the **"Period"**).

In the first half of 2022, China's automobile industry was fraught with difficulties. In addition to the continuous shortage of global chip supply, the variants of novel coronavirus were also spreading rapidly. Many provinces and cities have implemented various prevention and control measures to block the transmission of the virus, and strict prevention and control measures were also implemented in Shanghai and Changchun, the two cities with leading positions in automobile manufacturing scale in China. As a result, supporting enterprises in the automobile industry chain were affected on that the supply chain faced heavy pressures, and the production and sales volume of passenger vehicles temporarily declined rapidly. As an automobile dealership group focusing on luxury and ultra-luxury automobile brands, Sunfonda was inevitably impacted by the macro environment. However, the team tackled challenges with tenacity, and carried out refined inventory management, online sales and other strategies, thereby maintained overall healthy business and financial position during the Period, and continued to pay interim dividends to shareholders in return for their long-term support.

Looking back at the market environment during the Period, despite the complexity and changes, implementation of the national policies to drive the overall rigid demand for automobiles was still the main keynote of economic development. Following the alleviation of the pandemic in late May 2022, certain measures were introduced to stimulate automobile consumption, including the "Package of Policies for Solidly Stabilising the Economy" and the "Notice on Several Measures for Activating Automobile Circulation and Expanding Automobile Consumption" issued by the State Council, the phased half rate of purchase tax and other policies, which significantly boosted the consumption of passenger vehicles, especially the remarkable increase in the sales volume of luxury cars. According to the statistics from the research report of China Passenger Car Association and China Merchants Securities (HK) Co., Limited, the overall sales volume of the major luxury car brands, being BBA (Mercedes-Benz, BMW and Audi), fell by 17.2% year on year in the first half of the year, but the monthly sales volume in June 2022 recovered, with a year-on-year increase of 28.1%, and the market share in the first half of the year reached 52.5%. The penetration rate of luxury brands reached a new high of 15.7% in June 2022 (13.2% in 2021), reflecting the strong market resilience of luxury cars which gradually regained market support following the alleviation of the pandemic. For the markets within the coverage of the Group's major brand network, the provincial, municipal and district governments implemented different subsidy policies for automobile consumption, which promoted the Group's sales recovery in the second quarter of 2022 and also provided strong policy support for sales in the second half of the year.

In recent years, the Group has determinedly implemented various strategic deployments, and has never stopped the pace of development even during the pandemic, with the whole team unitedly coping with challenges. In terms of brand network, the luxury and ultra-luxury brands operated by the Group cover BBA, Porsche and Lexus, and contributed 71.5% of the total revenue to the sales of new vehicles. Despite the declined sales volume during the Period, these core brands were still the main contributors, of which the sales volume recovered significantly in June 2022, allowing the Group to achieve steady performance. The Group commenced the construction of three new 4S stores in the first half of the year, including one Porsche store and two BMW stores, which are expected to be fully put into operation in the fourth quarter of 2022. We also continued to actively communicate with automobile brands, and enhanced communication and cooperation with dominant automobile brands, to seek cooperation opportunities for new energy vehicle business.

We understand the importance of healthy inventory management and overall sound operation. Through continuous guidance, follow-up and inspection of prior order execution for different brands and different stores, the Group has maintained a healthy inventory level. Currently, the inventory ratio falls within a reasonable range, ensuring the improvement of sales quality. Particularly, the gross profit margin of new automobile sales of the Group was 3.9% during the Period, representing a year-on-year increase of 0.2 percentage point from 2021.

The Group also seized the opportunity to incorporate intelligent elements into its operations. Leveraging on new media such as live streaming in Douyin and platform operation in Xiaohongshu, the sales orders increased as a result. In the first half of 2022, the Group established a digital empowerment center, which launched a “Smart Customer Management System” through the combination of software and hardware, big data analysis and other technologies to enhance customer experience in multiple dimensions. At the same time, the Group has connected the managers’ enterprise WeChat accounts with customers’ personal WeChat accounts to understand customer needs in a timely manner. By the end of June 2022, the managers’ enterprise WeChat accounts have successively accommodated nearly 50,000 customers, which has improved both service efficiency and customer experience.

In terms of sales of new energy vehicles and used cars, through the establishment of a special sales team for new energy vehicles, and holding several sharing sessions and training on new energy vehicles, etc., the Group’s sales volume of new energy vehicles increased by 43.8% in the first half of 2022. Despite the impact of various factors in the first half of the year, the sales of used cars were still promising, mainly due to the removal of restrictions on the transfer and registration of used cars and the tax reduction policy to reduce the value-added tax imposed on used car dealers, promoting the continuous increase in the replacement rate of used cars.





## CHAIRMAN'S STATEMENT

Looking ahead to the second half of the year, due to the uncertainties on the pandemic and other factors, and the deferred effectiveness of consumption stimulus policies to a certain extent, the Group will face many challenges in business operation. However, due to the overall sufficient consumption momentum in China, and the strong rigid demand for automobiles, we are confident that we can adapt to the changing market and strategically take steps to turn crises into opportunities. "FUN TIME LANE" automobile fashion street zone projects in Xi'an and Lanzhou, being the Group's key development projects that have been repeatedly mentioned in the past, of which the main buildings have been capped, have obtained the authorisation of several core brands.

Finally, I would like to take this opportunity to express my sincere gratitude to all the directors, management team and all employees of the Group for their contributions to the Group, as well as to every customer, business partner and shareholder for their continuous support over the years. The Group will strive to promote business growth and bring greater and long-term returns to shareholders.

*Chairman of the Board*

**Wu Tak Lam**

30 August 2022

## MARKET REVIEW

### **China's Economy Overcame Current Difficulties and Maintained Growth Under Policy Stimulus, and Key Areas Covered by the Network of the Group Achieved Overall Stable and Positive Economic Performance**

In the first half of 2022, the international economic environment became more complex and severe, the pandemic resurged in multiple places across China, and unexpected factors impacted enterprises and people's livelihood head-on, which put significant downward pressure on the economy in the second quarter. However, since May 2022, as the efficient co-ordination of pandemic prevention and control and the economic and social development continuously delivered results in China, economic operation has gradually stabilised and rebounded, market prices have been basically stable, people's well-being have been strongly and effectively safeguarded, high-quality development has continued, and the overall social situation has remained stable. According to data released by the National Bureau of Statistics of China, the gross domestic product (the "GDP") for the first half of the year amounted to RMB56,264.2 billion, representing a year-on-year increase of 2.5% at constant prices. The total retail sales of consumer goods were RMB21,043.2 billion, representing a year-on-year decrease of 0.7%. Among which, automobile consumption amounted to RMB2,118.1 billion, representing a year-on-year decrease of 5.7%, and accounting for 10% of the total retail sales of consumer goods, indicating that its contribution to China's economic development became increasingly prominent.

In order to promote automobile consumption and support the development of the automobile industry, China has successively issued a series of targeted policies to drive automobile consumption. In May 2022, the Ministry of Finance and the State Taxation Administration jointly issued a notice on reduction of purchase tax for certain passenger vehicles. In July 2022, 16 departments including the Ministry of Commerce, the Ministry of Industry and Information Technology, the Ministry of Housing and Urban-Rural Development and other departments jointly promulgated "Several Measures for Activating Automobile Circulation and Expanding Automobile Consumption" to further stimulate the automobile consumption market. With the effective control of the pandemic and the effective implementation of various policies and measures, automobile consumption is expected to achieve rapid growth in the second half of 2022, which will play a positive role in stabilising the macroeconomic situation.



## MANAGEMENT DISCUSSION AND ANALYSIS

The economic operation of Shaanxi Province, the key area covered by the Group's sales network, has shown a trend of improvement in both quality and efficiency, which could be reflected in the fact that the regional GDP increased by 4.2% year on year at comparable prices in the first half of 2022. In June 2022, the Shaanxi Provincial Department of Commerce issued the "2022 Subsidy Plan for Automobile Installment Consumption in Shaanxi Province" and other policies to further stimulate market vitality, release the potential of automobile consumption, promote automobile consumption replenishment, and meet the needs of consumption upgrades. With the gradual relaxation of the pandemic prevention and control measures, the actual GDP growth rate of Jiangsu Province, another major area within the coverage of the Group's network, was 1.6% in the first half of 2022. In June 2022, Jiangsu Province issued the "Implementation Opinions on Further Unleashing Consumption Potential to Promote Acceleration of Consumption Recovery and High-Quality Development" and other policies to further encourage consumption of major durables such as automobiles and home appliances. Certain policies such as phased half rate of the vehicle purchase tax, and providing subsidies and tax incentives for the purchase of new energy vehicles, have been effectively implemented, automobile production and sales enterprises are encouraged to surrender part of the profits to consumers, and financial institutions are promoted to enhance credit support for automobile consumption by reducing down payment and loan interest rates and extending repayment term, to promote the stabilisation and recovery of automobile consumption by taking multiple measures simultaneously.

### **Automobile Consumption Continued Resilient Growth, and the Production and Sales Volume of Passenger Vehicles were Higher than the Same Period of the Previous Year; the Overall Sales of Luxury Cars Remained Generally Stable, and the Transformation to Electrification Achieved Success**

The automobile industry, as an important pillar industry of the Chinese economy, covers a long industrial chain and has a strong driving effect, and also is the top priority for stabilising economic growth. Since May 2022, the Party Central Committee and the State Council have launched a series of policies and measures to stabilise the growth of automobile industry and promote automobile consumption in a timely manner in response to the changing situation, while the consumption promotion policies issued by local governments also mainly focus on automobile consumption. Since the implementation of the policy of halving the passenger vehicle purchase tax for one month, a total amount of RMB7.1 billion in vehicle purchase tax has been reduced for 1.097 million vehicles around the country. In the medium and long term, China's automobile market is generally in the late stage of popularisation, and residents' consumption demand for automobiles is still strong, coupled with the industry bonuses brought by industrial transformation and consumption upgrades, which sufficiently ensure the stable growth of automobile consumption.

## MANAGEMENT DISCUSSION AND ANALYSIS

According to data released by the China Association of Automobile Manufacturers, in the first half of 2022, domestic production and sales volume of passenger vehicles generally showed a U-shaped trend. From January to February 2022, the production and sales volume increased steadily, but fell rapidly due to the impact of the pandemic after the Spring Festival, followed by gradual recovery since June 2022. In the first half of the year, the total production and sales volume were 10.434 million units and 10.355 million units, respectively, representing a year-on-year increase of 6% and 3.4%, respectively. Among which, domestic production and sales volume of passenger vehicles in June 2022 were 2.239 million units and 2.222 million units, respectively, representing a year-on-year increase of 43.6% and 41.2%, respectively.

Affected by the pandemic, the demand for new purchase and replacement slowed down in the luxury car market, with an overall slight year-on-year decrease of 1.2%, basically remaining stable. Driven by automobile consumption stimulus policies since June 2022, sales volume increased by 41.9% year on year. To actively adapt to national policies and market demands, luxury car manufacturers have constantly carried out transformation to electrification, and have achieved initial success at present as evidenced by the gradual increase in the sales volume of new energy vehicles. In view of the current strategies of traditional luxury brands, the electric vehicle business will become a new profit growth point for luxury car manufacturers and also a key area for their future competition. The industry believes that with the expansion of the product lines, the sales volume of luxury electric vehicles is expected to witness a significant increase.

### **China's Automobile Ownership Volume Continued to Grow, and New Energy Vehicles and Used Cars Will Further Release the Potential of Automobile Consumption**

According to the statistics of the Ministry of Public Security of China, as at the end of June 2022, China's motor vehicle ownership volume reached 406 million units, of which the automobile ownership volume was 310 million units, and the new energy vehicle ownership volume accounted for 3.23% of the total number of automobiles, representing an increase of 27.8% as compared with that as at the end of 2021. Both production and sales volume increased by 1.2 times year on year, and the market share reached 21.6%, continuing to maintain rapid growth. Among which, the sales volume of new energy passenger vehicles accounted for 24.0% of the total sales volume of passenger vehicles. Looking ahead to the second half of the year, stimulated by the continuous implementation and effectiveness of the "Package of Policies for Solidly Stabilising the Economy" issued by the State Council, market consumer confidence will also significantly return, and new energy vehicles will sustain a rapid growth momentum.

As at the end of June 2022, there were 81 cities with automobile ownership volume of more than 1 million units in China, representing a year-on-year increase of 7 cities. 37 cities had automobile ownership volume of more than 2 million units, and 20 cities had more than 3 million units. Specifically, Beijing had an automobile ownership volume of more than 6 million units, Chengdu and Chongqing each had an automobile ownership volume of more than 5 million units, and Suzhou, Shanghai, Zhengzhou, Xi'an and Wuhan each had an automobile ownership volume of more than 4 million units.



## MANAGEMENT DISCUSSION AND ANALYSIS

As mentioned in the “Notice on Several Measures for Activating Automobile Circulation and Expanding Automobile Consumption”, unreasonable restrictions on used car dealership will be gradually lifted, and enterprises with clearly registered domiciles and business premises will be allowed to carry out used car sales business. Since 1 August 2022, the restrictions on transfer and registration of motor vehicles that meet the National Fifth Stage Vehicle Emission Standards will be completely abolished, and with effect from 1 October 2022, separate endorsement management and review and issuance of temporary license plates will be implemented when automobile sales companies apply for transfer and registration, which will further release the potential of automobile consumption.

### BUSINESS REVIEW

In the first half of 2022, the Group realised operating income and gross operating profit of RMB5,156.4 million and RMB416.5 million, respectively. While optimising the brand network layout in superior regions, the Group continued to improve operating efficiency.

### **The Operating Efficiency of New Automobile Sales Business Continued to Improve, and New Energy Vehicles Achieved Outstanding Performance**

The Group occupies a relatively large market share in Xi’an market. Despite the impact of the lockdown measures for the pandemic prevention and control in Xi’an in January 2022, thanks to the joint efforts of the Group, the sales volume of new vehicles was 14,363 units in the first half of 2022, in particular, the sales volume of the BMW brand and the GAC Toyota brand increased significantly. The Group has planned the sales of new energy vehicles as an important strategic direction for the Group this year. In the first half of the year, through the establishment of a special sales team for new energy vehicles, and holding sharing sessions and training on new energy vehicles, etc., the Group’s sales volume of new energy vehicles increased by 43.8% in the first half of 2022.

The Group continued to adopt the prior order management method and continuously carried out guidance, follow-up and inspection for different brands and different stores. At present, the Group’s order coverage rate is at a good level in the industry, and the inventory ratio falls within a reasonable range, resulting in an improved gross profit margin of new automobiles. In the first half of 2022, the gross profit margin of new automobiles of the Group was 3.9%, representing a year-on-year increase of 0.2 percentage points. In terms of new automobile derivative business, the financial penetration rate continued to increase in the first half of 2022, with 2.6 percentage points growth as compared with the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group integrated existing customer groups and focused on enhancing circle marketing by constantly strengthening existing customers' recognition of Sunfonda. Through data monitoring, the retention and referral of existing customers has been significantly improved, and the referral rate has increased by 4 percentage points. Affected by the lockdown measures adopted during the pandemic, the number of inbound customers from offline channels decreased, but the Group focused on new media sales such as live streaming in Douyin and platform operation in Xiaohongshu, resulting in increased orders.

Starting from 1 June 2022, the Group has executed the national subsidy policy, according to which the purchase tax of any passenger vehicle with a price not higher than RMB300,000 and a displacement of 2.0 litres or below will be charged at half rate, in which about 60% of the Group's vehicle models are involved. The sales teams of dealership stores have centrally issued invitations for return visits to all potential customers in the first half of the year, to inform customers of the current purchase tax policy and local subsidy policies. In addition, due to the targeted pandemic control in Xi'an, the terminal sales volume obviously increased in June 2022, representing an increase of more than 20% from May 2022.

### **Continued to Improve After-sales Service Efficiency and Customer Experience to Further Increase the Output Value of Single Vehicle**

Since 2022, the recurring pandemic and the complex and changeable pandemic prevention and control policies in various places have affected automobile travel, and the volume of motor vehicle maintenance business has severely reduced due to the pandemic. In terms of service pattern, convenience has become the first demand of customers. Centering on customer needs, each store has vigorously carried out backup car services and door-to-door pick-up and delivery services. The digital service level and channel control efficiency in the after-sales market have become more and more important. The Group organised and established a customer management center, in which a digital platform was introduced, to strengthen customer solicitation, and improve solicitation efficiency, thereby the after-sales input volume remained flat as compared with the same period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the pandemic, the Group quickly changed the way of insurance renewal at each store by implementing online insurance renewal. As a result, number of renewed policies increased by 36% year on year, and the amount of premium increased by 35% year on year. In the process of further strengthening business cooperation with insurance companies, the continuous increase of total premiums also ensured the stable growth of the after-sales sheet metal spray business. On the other hand, the Group continuously promoted the implementation of prior technical diagnosis to strengthen the technical advantages of services, properly enhanced the electromechanical business, and also improved customer experience simultaneously to create a technology-leading brand image of Sunfonda.

In terms of decoration business, aiming at meeting the personalised needs of customers, the Group focused on improving the penetration rate of upgraded products, fully exploited the business opportunities arising from the second recommendation of decoration, and effectively seized the opportunity to expand profits of decoration and focus on selling interior and exterior decoration refitting items. In the future, the Group will also continue to strengthen the capabilities of the front-line team for marketing derivative products, and reinforce the marketing promotion of decoration, so as to better demonstrate the diversified service concept of the enterprise.

### **The Used Car Business Embraced Market Development Opportunities, and the Replacement Rate Continued to Increase, Which Will be a Future Growth Driver**

With the implementation of various favorable policies for used cars and the gradual relaxation of “obstacles” such as various restrictive policies, the consumption potential of used cars has been further released. The used car market system and related supporting services will be gradually enhanced and improved, and the domestic automobile market will enter the peak period of replacement, which will bring huge opportunities for the development of used car market.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the Group continued to strengthen and optimise the systematization of used cars, and further expanded the evaluation rate, so as to explore the vehicle replacement demand of retained customers and expand the business of the development of in-use vehicles. The sales of used cars were conducted through platform auctions and retail under same brands to further enhance turnover efficiency and improve profits of used cars. The Group launched the Sunfonda brand certified used cars, while expanding the retail size of used cars under same brands, the Group also provided users with one-stop services such as application for licence plate, transfer, finance, insurance, insurance renewal, decoration, etc., to improve the operating quality of used cars. In the first half of 2022, the Group realised a trading volume of 3,213 used cars, of which 1,131 units were sold through dealership.

### **Achieved “Best Customer Experience” and Continuously Improved Profit Margins in Adherence to Customer-Centric Principle**

The customer relationship management (CRM) department is an important bridge for the Group to connect with customers. In light of the development and changes of the current market environment, the Group has transformed its philosophy from being oriented to understand customer needs to being customer-centric in order to achieve “best customer experience”. On the basis of the original CRM, the Group has integrated customer touchpoints to maximise the touchpoint value, has promoted the improvement of remote customer experience by combining online and offline methods in the three key aspects of personnel, process and system, and has implemented flat management to improve the efficiency of internal and external communication. In the first half of the year, the Group carried out organisational structure reform by integrating and upgrading relevant functions of the original CRM department and business departments, to jointly focus on the management of customer lifetime cycle. The Group has applied the customer management system to conduct process optimisation of the touchpoints in the customer lifetime cycle, which run through the management of the Group in the whole customer lifetime cycle, and has performed the four functions of customer data management, satisfaction management, customer care, and clue invitation management through “screening-invitation-transfer-control-maintenance”. Through close cooperation with business departments, the Group has promoted the development of sales, after-sales and derivative businesses through the application of customer data, so as to sustain profit improvement.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Focused on Core Brands and Key Regions to Constantly Conduct Network Layout

As at 30 June 2022, the Group had 42 sale points in operation, of which 30 were sale points for luxury brands. The main business of the Group covered 15 cities across 8 provinces, municipalities and autonomous regions in Mainland China, as shown in the figure below:



In the first half of 2022, in line with the new normal in the market under the impact of the pandemic, the Group actively and steadily promoted the brand network development plan. One Porsche and two BMW brand 4S stores newly authorised in the second half of 2021 are expected to be put into operation in the fourth quarter of this year. On the other hand, in the first half of 2022, the Group newly obtained the first authorisation of the BMW motorcycle brand and the authorisation of GAC Toyota in Lanzhou, Gansu Province. The authorisation of new GAC Toyota store in Lanzhou further expanded the number of sale points in Lanzhou, as well as the influence of GAC Toyota brand of Sunfonda Group in Gansu market.

## MANAGEMENT DISCUSSION AND ANALYSIS

In line with the development plan of key brands, the Group adapted to the trend of consumption upgrading to continuously strengthen the network layout of luxury brands in advantageous regions and key cities by constantly promoting the expansion of brand outlets in Central China and northwest region, and actively sought more dealership authorisation of branded automobiles, to provide support for target cities to exploit their advantages in the future.

### FINANCIAL REVIEW

#### Revenue

Revenue for the Period was RMB5,156.4 million, representing a decrease of RMB968.1 million or 15.8% as compared to that for the corresponding period in 2021. The decrease was mainly due to the fact that some regions where some of the Group's operating networks are located implemented strict prevention and control measures due to the outbreak of the COVID-19 pandemic, which affected the sales schedule and operating income for the Period. Of which, revenue from the sales of new automobiles was RMB4,431.2 million, representing a decrease of RMB845.0 million or 16.0% as compared to that for the corresponding period in 2021. Revenue from after-sales services was RMB542.1 million, representing a decrease of RMB97.5 million or 15.2% as compared to that for the corresponding period in 2021. In addition, revenue from the sales of used cars was RMB183.1 million, representing a decrease of RMB25.6 million or 12.3% as compared to that for the corresponding period in 2021. A substantial portion of the revenue of the Group was generated from sales of new automobiles, accounting for 85.9% of the revenue for the Period (same period in 2021: 86.1%). Besides, revenue generated from after-sales services business accounted for 10.5% of the revenue for the Period (same period in 2021: 10.4%). Revenue of the Group was mainly derived from our operations in the PRC.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June/unaudited			2021		
	2022					
	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of new vehicles						
Luxury and ultra-luxury brands	<b>3,596,380</b>	<b>9,452</b>	<b>380</b>	4,576,035	12,663	361
Mid-end market brands	<b>834,864</b>	<b>4,911</b>	<b>170</b>	700,140	4,814	145
Sub-total/average	<b>4,431,244</b>	<b>14,363</b>	<b>309</b>	5,276,175	17,477	302
Sales of used cars	<b>183,145</b>	<b>1,131</b>	<b>162</b>	208,716	1,462	143
After-sales services	<b>542,053</b>			639,620		
Total	<b>5,156,442</b>			6,124,511		

### Cost of Sales and Services

Cost of sales and services for the Period was RMB4,739.9 million, representing a decrease of RMB901.3 million or 16.0% as compared to that for the corresponding period in 2021. Cost of sales of new automobiles for the Period was RMB4,257.6 million, representing a decrease of RMB824.6 million or 16.2% as compared to that for the corresponding period in 2021. Cost of after-sales services for the Period was RMB306.9 million, representing a decrease of RMB52.6 million or 14.6% as compared to that for the corresponding period in 2021. In addition, cost of sales of used cars for the Period was RMB175.4 million, representing a decrease of RMB24.1 million or 12.1% as compared to that for the corresponding period in 2021.

### Gross Profit

Gross profit for the Period was RMB416.5 million, representing a decrease of RMB66.8 million or 13.8% as compared to that for the corresponding period in 2021. Of which, gross profit of sales of new automobiles was RMB173.6 million, representing a decrease of RMB20.4 million or 10.5% as compared to that for the corresponding period in 2021; gross profit of after-sales services business was RMB235.2 million, representing a decrease of RMB44.9 million or 16.0% as compared to that for the corresponding period in 2021. Gross profit of after-sales services for the Period accounted for 56.5% of the total gross profit (corresponding period in 2021: 58.0%). Gross profit of sales of used cars was RMB7.7 million, representing a decrease of RMB1.5 million or 16.3% as compared to that for the corresponding period in 2021.

Gross profit margin for the Period was 8.1% (corresponding period in 2021: 7.9%).

## Other Net Income and Gains

Other net income and gains mainly consist of commission income from automobile sales on commission, insurance agency and automobile financing agency businesses, logistics and storage income, net gains from disposal of property, plant and equipment, and interest income.

Other net income and gains for the Period amounted to RMB116.3 million, representing a decrease of RMB120.5 million as compared with RMB236.8 million for the corresponding period in 2021. The decrease was mainly due to the one-off investment gains of approximately RMB145.2 million recorded for the corresponding period in 2021 arising from the proceeds from disposal of the equity investment in a company which was not engaged in main business.

## Selling and Distribution Expenses

Selling and distribution expenses for the Period amounted to RMB232.1 million, representing a decrease of 4.4% as compared with RMB242.8 million for the corresponding period in 2021, mainly due to the decrease in advertising and promotion expenses and sales staff salaries arising from the decrease in the sales of automobiles. As a percentage of revenue, the selling and distribution expenses increased as compared with the corresponding period last year, increased from 4.0% for the corresponding period last year to 4.5% for the Period, up by 0.5 percentage points.

## Administrative Expenses

Administrative expenses for the Period amounted to RMB128.4 million, representing a decrease of 6.1% as compared with RMB136.7 million for the corresponding period in 2021, mainly due to the decrease in compensation of management personnel. As a percentage of revenue, the administrative expenses increased as compared with the corresponding period last year, increased from 2.2% for the corresponding period last year to 2.5% for the Period, representing an increase of 0.3 percentage points.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Costs

Finance costs for the Period amounted to RMB49.2 million, representing an increase of 2.9% as compared with RMB47.8 million for the same period in 2021. The increase was mainly due to the increase in the scale of inventory financing.

### Profit before Tax

As a result of the foregoing, profit before tax for the Period amounted to RMB123.1 million, representing a decrease of 58.0% as compared with RMB292.8 million for the corresponding period in 2021.

### Income Tax Expense

Income tax expense for the Period amounted to RMB45.2 million, representing a decrease of 37.4% as compared with RMB72.2 million for the corresponding period in 2021. The effective income tax rate of the Group for the Period was approximately 36.7% (corresponding period in 2021: 24.7%).

### Profit for the Period

As a result of the foregoing, profit for the Period was RMB77.8 million, representing a decrease of 64.7% as compared with RMB220.6 million for the corresponding period in 2021.

### Profit for the Period Attributable to Owners of the Parent

For the Period, profit for the period attributable to owners of the parent was RMB77.8 million, representing a decrease of 64.7% as compared with RMB220.6 million for the corresponding period in 2021.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

For the Period, the Group's net cash inflow generated from operating activities was RMB52.2 million, as compared with its net cash inflow generated from operating activities of RMB219.4 million for the six months ended 30 June 2021. The decrease in net cash inflow from operating activities was mainly attributable to the slowdown in new automobile sales due to the impact of the pandemic and the year-on-year increase in the scale of new automobile purchases.

For the Period, the Group's net cash outflow for investing activities was RMB116.0 million, as compared with its net cash outflow for investing activities of RMB104.8 million for the six months ended 30 June 2021. The increase in net cash outflow for investing activities was mainly attributable to the steady progress of project investment as scheduled.

For the Period, the Group's net cash inflow for financing activities was RMB95.1 million, as compared with its net cash outflow for financing activities of RMB75.8 million for the six months ended 30 June 2021. The increase in the net cash inflow for financing activities was mainly attributable to the increase in net inflows of proceeds from bank loans and other borrowings for the Period.

### Net Current Assets

As at 30 June 2022, the Group's net current assets amounted to RMB764.2 million, as compared to its net current assets of RMB1,001.4 million as at 31 December 2021.

### Inventories

The Group's inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 30 June 2022, the Group's inventories amounted to RMB1,320.1 million, representing an increase of 25.2% as compared with RMB1,054.4 million as at 31 December 2021, which was mainly attributable to the centralised arrival of products in May and June and the increased stocking up in newly opened stores due to the impact of the pandemic.

In the first half of 2022, the Group's average inventory turnover days (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 180 days) were 45.8 days, representing an increase as compared with 33.7 days in 2021, mainly attributable to the increase in the amount of inventories as at the end of the Period as compared with the end of 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Bank Loans and Other Borrowings

As at 30 June 2022, the Group's bank loans and other borrowings were RMB2,510.9 million, representing an increase of 8.8% as compared with RMB2,307.0 million as at 31 December 2021.

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

	30 June 2022 Unaudited		31 December 2021 Audited	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
<b>CURRENT</b>				
Bank loans	<b>3.3-5.8</b>	<b>1,547,794</b>	3.6-5.8	1,152,576
Other borrowings	<b>1.3-8.5</b>	<b>381,077</b>	1.7-8.6	393,669
Sub-total		<b>1,928,871</b>		1,546,245
<b>NON-CURRENT</b>				
Bank loans	<b>3.5-5.9</b>	<b>582,035</b>	3.5-5.9	760,774
Total		<b>2,510,906</b>		2,307,019
<b>Among which:</b>				
Secured loans		<b>1,901,600</b>		1,798,885
Unsecured loans		<b>609,306</b>		508,134
Total		<b>2,510,906</b>		2,307,019

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's gearing ratio, which is net debt divided by total equity plus net debt, was 46.2% (31 December 2021: 44.8%). Net debt includes bank loans and other borrowings, trade and bills payables and other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits.

### **Pledge of Assets**

As at 30 June 2022, certain of the Group's bank loans were secured by charges or pledges over our assets. The Group's assets subject to these charges or pledges as at 30 June 2022 consisted of: (i) inventories amounting to RMB561.2 million; (ii) buildings amounting to RMB355.0 million; (iii) land use rights amounting to RMB258.3 million; (iv) construction in progress amounting to RMB284.8 million; and (v) pledged bank deposits amounting to US\$8.6 million (equivalent to RMB57.9 million) and RMB118.7 million. As at 30 June 2022, certain of the Group's inventories amounting to RMB208.4 million and pledged bank deposits amounting to RMB246.6 million were pledged as securities for bills payable.

### **Capital Expenditures and Significant Investments Held**

The Group's capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. During the Period, the Group's total capital expenditures were RMB222.2 million, representing an increase of approximately RMB53.4 million as compared with RMB168.8 million for the six months ended 30 June 2021.

### **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

During the Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures.

### **Contingent Liabilities**

As at 30 June 2022, the Group did not have any material contingent liabilities or guarantees.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Staff Cost and Employee Remuneration Policies

As at 30 June 2022, the Group had 3,614 employees. Staff cost of the Group decreased by 2.3% from RMB172.2 million for the six months ended 30 June 2021 to RMB168.3 million for the Period, which was mainly attributable to the decrease in performance-based bonus paid to employees as a result of the decrease in sales volume and gross profit of sales. The Group is committed to providing a good working environment, diversified training programs and attractive compensation packages to the employees, 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 contributions to revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. In order to maintain the rapid development of the Group's network, the Group also continues to build up its quality talent pool and prudently manage its human resources and makes 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 team building. Regular training in respect of business skills, expertise and professional attributes 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.

## PRINCIPAL RISKS

### Business Risk

The Group's rights on operating points of sales, the supply of automobiles and spare parts as well as other important aspects in the Group's businesses and operations are all subject to our dealership authorization agreements with automobile suppliers. The Group's dealership authorization agreements are non-exclusive, and generally have terms of one to three years with the option of renewal. The automobile suppliers may terminate the dealership authorization agreements by giving three to twelve months' written notice in general for various reasons or without reasons. Of course, the Group may terminate the dealership authorization agreements with the automobile suppliers based on reasons such as adjustment of business strategies of the Group or others. In case of any of the foregoing, the Group's business, operating conditions and future development may be affected. Accordingly, the Group communicated and exchanged views with each automobile supplier regularly with a view to achieving a win-win cooperation relationship.

### 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 obligations at a floating interest rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

## Exchange Rate Risk

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\$, Euro and HK\$ and certain loans denominated in HK\$.

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

## COVID-19 Pandemic Risk

The prolonged spread of the COVID-19 pandemic across the world continuously impacted the global economy and various industries. However, the Chinese government adopted various control measures to reduce the impact of the pandemic. Given that the development of the pandemic is still uncertain and unpredictable, the Group will continue to pay close attention to the dynamics of the pandemic, evaluate the impact of the pandemic and relevant response measures, and monitor the latest changes and challenges in the automobile dealer industry in the post-pandemic era, with an aim to ride on the market development trend and take responsive measures in a timely manner to further accelerate its pace of business development.

## FUTURE STRATEGY AND PROSPECTS

### **To Actively Deploy New Energy Vehicle Business, and Certain Projects under Construction such as “FUN TIME LANE” are being Carried Out in an Orderly Manner**

In addition to one Porsche and two BMW 4S stores which are expected to be put into operation in the fourth quarter of 2022, to solidify the Group's leading position in Northwestern China, the Group will further strengthen communication with major dominant automobile manufacturers and continually plan the future development of the new energy vehicle business.



## MANAGEMENT DISCUSSION AND ANALYSIS

Through innovatively creating the “FUN TIME LANE” automobile fashion street zone project which integrates automobile sales with multiple business patterns such as catering, leisure and entertainment, the Group has opened a venue for automobile culture players. In the first half of 2022, the Group actively promoted the entry of automobile brands, and acquired the authorisation of a BMW upgrade store in Lanzhou “FUN TIME LANE”, and the authorisation for the establishment of Mercedes-Benz’s new standard sales showroom in Xi’an “FUN TIME LANE” which is in the investment promotion stage. The main building bodies of the two “FUN TIME LANE” projects have been capped, and are currently in the installation stage, which are expected to be put into operation in the summer of 2023.

### **To Explore Diversified Marketing Models to Expand the Group’s Brand Influence**

Since the consumer group is getting younger, new marketing methods are emerging, and consumption habits are changing, traditional marketing methods have been unable to meet the digital, personalised and diversified consumption needs of the new generation of users. In 2022, the Group intensified the systematic improvement of new media operation and transformation. As of now, the Group has set up new media marketing teams, and implemented a sound performance management system at more than half of its stores. Meanwhile, all brand stores of the Group have opened their Xiaohongshu accounts to conduct precise operation to cover a wider range of user touchpoints. In addition, the Group has continuously increased its investment in marketing activities at the group level. Currently, the Group holds a public relations event every month at the group level, which can further improve the customer satisfaction through the grafting of customer activities in different sectors and the interconnection of customer systems of both parties, so as to enlarge its customer base, and expand the market share and brand influence of the Group.

### **To Adhere to Digitally-Empowered Precise Service by Launch of Online Management and Service System**

The Group has continuously strengthened refined management and fully implemented digital intelligent system. As at the end of June 2022, the Group's self-developed "Sunfonda Group Membership Center" mini program has accumulated 288,000 registered users, through which the Group provides transparent systematic services, such as online consultation and complaint, after-sales follow-up, customer feedback collection, complaint handling and result monitoring, provide data program support for the Group's data center, and support customer management system and other projects to actively push clues. Subsequently, the Group will plan to integrate high-quality service resources to provide customers with personalised full-cycle services. In order to better serve customers, the Group established a digital empowerment center in the first half of 2022, in which through the combination of software and hardware, big data analysis and other technologies, a "Smart Customer Management System" has been launched in accordance with the Group's strategy based on customer needs. With personnel, systems and processes at the core, the Group has established one-to-one customer service system, to optimise customer service processes, integrate customer needs across different departments, connect up sales and after-sales systems, and improve customer experience in multiple dimensions. Through full analysis of its own user database, the Group can proactively provide services to customers in different business scenarios such as first maintenance, regular maintenance, recall, and warranty expiration, in which the system sends clues to store managers through the program, contacts within a limited time, and supervises the service process, so as to ensure that customers enjoy the intimate, timely and meticulous services of the managers at every stage of the vehicle life cycle. As at the end of June 2022, 20 stores have been successively admitted into the system, and the system will be launched and put into operation across the whole group in the second half of the year.

In the second half of the year, the Group's digital empowerment center will launch an online card and coupon marketing system relying on its existing business and based on the customer base of the membership center, which will deploy its own product resources and local excellent suppliers to introduce electronic cards and coupons with various rights and interests to the members of the Group, and actively expand customer-oriented life and entertainment scenarios under the existing automobile service system.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### EQUITY INTEREST

As at 30 June 2022, 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the directors of the Company (the “**Director(s)**”) and the chief executives of the Company in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) as recorded in the register required to be kept by the Company 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) Interests and short positions in the 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	438,060,200 (L)	73.01%
		2	20,000,000 (S)	3.33%
Ms. Chiu Man	Interest held by controlled corporations	1	438,060,200 (L)	73.01%
		2	20,000,000 (S)	3.33%
Mr. Gou Xinfeng	Beneficiary of a trust (other than a discretionary interest) Beneficial owner	3	10,000 (L)	0.001%**
			190,000 (L)	0.03%**
			200,000 (L)	0.03%**
Ms. Chen Wei	Beneficial owner		164,000 (L)	0.03%

(L): Long position (S): Short position

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Notes:

- (1) These shares are held as to 434,183,000 shares by Top Wheel Limited ("**Top Wheel**") and 3,877,200 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 434,183,000 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 been vested under the Management Trust. Thus, the Management Trust and Top Wheel are deemed to be interested in the 3,877,200 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 3,877,200 shares of the Company held by Westernrobust pursuant to Part XV of the SFO.

- (2) On 19 November 2020, Top Wheel, a company wholly and beneficially owned by Mr. Wu Tak Lam and Ms. Chiu Man, entered into two option agreements with Asian Equity Special Opportunities Portfolio Master Fund Limited ("**AESOP**"), pursuant to which, Top Wheel has agreed to grant (i) a call option (the "**Option I**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option I Shares**") held by Top Wheel, with the exercise price of HK\$1.60 per Option I Share and exercise period of two years from the date of the grant of the Option I; and (ii) a call option (the "**Option II**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option II Shares**") held by Top Wheel, with the exercise price of HK\$2.98 per Option II Share and exercise period of three years from the date of the grant of the Option II. For details, please refer to the Company's announcement dated 19 November 2020.

- (3) Mr. Gou Xinfeng is deemed to be interested in these 10,000 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 interested divided by the number of the Company's issued shares as at 30 June 2022.

\*\* As the figures are the results of rounding adjustments, there is a discrepancy after aggregating the figures.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (B) Long positions 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%
	Ms. Chiu Man	Interest held by a controlled corporation	6,000	30%
		Interest of spouse	14,000	70%
			20,000	100%

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 of the Company), 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 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives 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) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, the following persons (other than the Directors or chief executives of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### Interests and short positions in the 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	434,183,000 (L)	72.36%
			20,000,000 (S)	3.33%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	1	3,877,200 (L)	0.65%
			438,060,200 (L)	73.01%
			20,000,000 (S)	3.33%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	438,060,200 (L)	73.01%
			20,000,000 (S)	3.33%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	438,060,200 (L)	73.01%
			20,000,000 (S)	3.33%
RAYS Capital Partners Limited	Investment manager	2	42,112,000 (L)	7.02%
RUAN David Ching Chi	Interest held by a controlled corporation	2	42,112,000 (L)	7.02%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	2	42,076,000 (L)	7.01%

(L): Long position (S): Short position

Notes:

(1) The above interests of Top Wheel, Win Force and Golden Speed were also disclosed as the interests of each of Mr. Wu Tak Lam and Ms. Chiu Man in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

(2) Asian Equity Special Opportunities Portfolio Master Fund Limited is wholly-owned by RAYS Capital Partners Limited, which is in turn owned as to 45.60% by Ruan, David Ching-chi, RAYS Capital Partners Limited and Ruan, David Ching-chi are therefore deemed to be interested in the 42,076,000 shares (of which 20,000,000 shares are non-listed derivatives under a convertible instrument) held by Asian Equity Special Opportunities Portfolio Master Fund Limited.

\* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2022.





## CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed “Directors’ and Chief Executives’ 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 required to be kept by the Company 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.

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

### PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme was adopted by the Company on 8 January 2014. For the implementation of the Pre-IPO Share Award Scheme, the Management Trust was established on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. 9,000,000 shares of the Company, representing 1.5% of the issued shares of the Company as at the date of this report, were transferred to the Management Trust for nil consideration on the same date pursuant to the Pre-IPO Share Award Scheme. As at 30 June 2022, the Company has granted an aggregate of 5,234,400 shares to grantees in accordance with the Pre-IPO Share Award Scheme. Details of the Pre-IPO Share Award Scheme are disclosed in the Company’s Prospectus and Note 16 to the interim condensed consolidated financial statements.

### INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to declare the distribution to shareholders of the Company of an interim dividend of HK\$0.04 (equivalent to approximately RMB0.03) per ordinary share for the Period in an aggregate amount of RMB20.5 million.

The interim dividend will be paid on Monday, 26 September 2022 to shareholders whose names appear on the register of members of the Company at the close of market on Tuesday, 20 September 2022. Therefore, the register of members of the Company will be closed from Friday, 16 September 2022 to Tuesday, 20 September 2022 (both days inclusive). In order to be entitled to the interim dividend, unregistered holders of shares of the Company should ensure that 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 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 15 September 2022.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 Part 2 of 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

According to Rule 13.51B(1) of the Listing Rules, since the publication of the Company's 2021 annual report, the changes in directors' information are set out as follows:

Mr. Liu Jie, an independent non-executive director of the Company, has ceased to be an independent director of Jiangsu Changbao Steeltube Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 002478) and Tatwah Smartech Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 002512) with effect from 8 April 2022 and 2 June 2022, respectively.

Save as disclosed above, since the publication of the Company's 2021 annual report, no other changes in directors' information should be disclosed according to Rule 13.51B(1) of the Listing Rules.

## 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 LITIGATION AND ARBITRATION

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

## EVENT AFTER THE PERIOD

There was no significant subsequent event undertaken by the Group after 30 June 2022 that need to be disclosed under the Listing Rules.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### AUDIT COMMITTEE

The audit committee under the Board (the “**Audit Committee**”) has reviewed the accounting standards and practices that the Company adopted, and discussed matters related to risk management, internal control and financial reporting. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The Audit Committee has reviewed the Company’s 2022 interim report and the announcement of interim results and unaudited condensed consolidated financial statements for the Period.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in 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 the Period.

### 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 Employees” include 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 during the Period.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
<b>Revenue</b>	4(a)	<b>5,156,442</b>	6,124,511
Cost of sales and services	5(b)	<b>(4,739,970)</b>	(5,641,241)
<b>Gross profit</b>		<b>416,472</b>	483,270
Other income and gains, net	4(b)	<b>116,342</b>	236,802
Selling and distribution expenses		<b>(232,133)</b>	(242,779)
Administrative expenses		<b>(128,426)</b>	(136,735)
<b>Profit from operations</b>		<b>172,255</b>	340,558
Finance costs	6	<b>(49,194)</b>	(47,765)
<b>Profit before tax</b>	5	<b>123,061</b>	292,793
Income tax expense	7	<b>(45,236)</b>	(72,174)
<b>Profit for the period</b>		<b>77,825</b>	220,619
<b>Attributable to:</b>			
Owners of the parent		<b>77,825</b>	220,619
<b>Earnings per share attributable to ordinary equity holders of the parent</b>	9		
Basic and diluted (RMB)		<b>0.13</b>	0.37



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>77,825</b>	220,619
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	<b>2,415</b>	(19,243)
Total comprehensive income for the period, net of tax	<b>80,240</b>	201,376
Attributable to:		
Owners of the parent	<b>80,240</b>	201,376

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2022

	Notes	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,566,707</b>	1,469,011
Right-of-use assets		<b>741,913</b>	722,542
Intangible assets		<b>10,266</b>	10,677
Prepayments		<b>30,440</b>	28,295
Goodwill		<b>10,284</b>	10,284
Deferred tax assets		<b>35,028</b>	30,124
<b>Total non-current assets</b>		<b>2,394,638</b>	2,270,933
<b>CURRENT ASSETS</b>			
Inventories	10	<b>1,320,083</b>	1,054,373
Trade receivables	11	<b>38,716</b>	30,671
Prepayments, other receivables and other assets	12	<b>985,146</b>	1,180,612
Amounts due from a related party	20(b)	<b>5,219</b>	5,810
Financial assets at fair value through profit or loss		<b>3,381</b>	3,552
Pledged bank deposits		<b>431,507</b>	364,623
Cash in transit		<b>22,529</b>	4,782
Short-term deposits		<b>86,576</b>	127,579
Cash and cash at banks		<b>907,621</b>	836,227
<b>Total current assets</b>		<b>3,800,778</b>	3,608,229
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings	13	<b>1,928,871</b>	1,546,245
Trade and bills payables	14	<b>696,033</b>	632,264
Other payables and accruals		<b>371,614</b>	375,323
Lease liabilities		<b>27,194</b>	21,559
Income tax payable		<b>12,855</b>	31,398
Total current liabilities		<b>3,036,567</b>	2,606,789
<b>NET CURRENT ASSETS</b>		<b>764,211</b>	1,001,440
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,158,849</b>	3,272,373



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2022

	Notes	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	13	<b>582,035</b>	760,774
Lease liabilities		<b>72,121</b>	51,291
Deferred tax liabilities		<b>26,399</b>	21,487
<b>Total non-current liabilities</b>		<b>680,555</b>	833,552
<b>NET ASSETS</b>			
<b>2,478,294</b>			
<b>NET ASSETS</b>			
<b>2,478,294</b>			
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	<b>377</b>	377
Reserves	17	<b>2,477,917</b>	2,438,444
<b>Total equity</b>		<b>2,478,294</b>	2,438,821

Director  
**Wu Tak Lam**

Director  
**Chiu Man**

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	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	Total equity RMB'000
At 1 January 2022	377	161,202	118,045	156,505	157,947	11,390	35,604	1,797,751	2,438,821
Profit for the period	-	-	-	-	-	-	-	77,825	77,825
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	2,415	-	2,415
Total comprehensive income for the period	-	-	-	-	-	-	2,415	77,825	80,240
Final 2021 dividend declared	-	(40,800)	-	-	-	-	-	-	(40,800)
Equity-settled share award expense (note 16)	-	-	-	-	-	33	-	-	33
At 30 June 2022 (Unaudited)	377	120,402	118,045	156,505	157,947	11,423	38,019	1,875,576	2,478,294

	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	Total equity RMB'000
At 1 January 2021	377	229,842	118,045	121,006	157,947	11,396	32,276	1,487,399	2,158,288
Profit for the period	-	-	-	-	-	-	-	220,619	220,619
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(19,243)	-	(19,243)
Total comprehensive income for the period	-	-	-	-	-	-	(19,243)	220,619	201,376
Final 2020 dividend declared	-	(42,240)	-	-	-	-	-	-	(42,240)
Equity-settled share award expense (note 16)	-	-	-	-	-	(132)	-	-	(132)
At 30 June 2021 (Unaudited)	377	187,602	118,045	121,006	157,947	11,264	13,033	1,708,018	2,317,292





# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
<b>Operating activities</b>			
Profit before tax		<b>123,061</b>	292,793
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	<b>78,737</b>	77,698
Depreciation of right-of-use assets	5(c)	<b>20,521</b>	14,230
Amortisation of intangible assets	5(c)	<b>411</b>	783
Interest income	4(b)	<b>(3,473)</b>	(2,116)
Net (gain)/loss on disposal of items of property, plant and equipment	4(b)	<b>(8,450)</b>	5,952
Equity-settled share award expense	5(a)	<b>33</b>	(132)
Fair value gains, net:			
Financial products	4(b)	<b>170</b>	–
Accrual/(reversal) of impairment of inventories		<b>6,076</b>	(3,723)
Gain on disposal of equity investment	4(b)	<b>–</b>	(145,204)
Finance costs	6	<b>49,194</b>	47,765
		<b>266,280</b>	288,046
(Increase)/decrease in inventories		<b>(271,786)</b>	21,520
(Increase)/decrease in trade receivables		<b>(8,045)</b>	2,688
Decrease in prepayments, other receivables and other assets		<b>155,618</b>	50,512
Decrease in amounts due from a related party		<b>591</b>	1,190
(Increase)/decrease in pledged bank deposits		<b>(66,884)</b>	22,675
Increase in cash in transit		<b>(17,747)</b>	(8,310)
Increase/(decrease) in trade and bills payables		<b>63,769</b>	(128,586)
(Decrease)/increase in other payables and accruals		<b>(5,855)</b>	359
		<b>115,941</b>	250,094
<b>Cash generated from operations</b>		<b>115,941</b>	250,094
Tax paid		<b>(63,770)</b>	(30,671)
		<b>52,171</b>	219,423
<b>Net cash generated from operating activities</b>		<b>52,171</b>	219,423

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	(222,189)	(168,521)
Proceeds from disposal of items of property, plant and equipment	60,740	61,998
Purchase of intangible assets	–	(256)
Interest received	3,473	2,116
Proceeds from disposal of equity investment designated at fair value through profit or loss	40,000	24,008
Decrease/(increase) of time deposits of maturity over three months	2,010	(24,146)
<b>Net cash used in investing activities</b>	<b>(115,966)</b>	<b>(104,801)</b>
<b>Financing activities</b>		
Proceeds from bank loans and other borrowings	3,677,773	4,138,698
Repayment of bank loans and other borrowings	(3,472,531)	(4,115,276)
Principal portion of lease payments	(18,374)	(8,207)
Interest paid for bank loan and other borrowings	(50,932)	(48,739)
Dividends paid	(40,800)	(42,240)
<b>Net cash generated from/(used in) financing activities</b>	<b>95,136</b>	<b>(75,764)</b>
<b>Net increase in cash and cash equivalents</b>	<b>31,341</b>	<b>38,858</b>
Cash and cash equivalents at the beginning of each period	931,300	743,542
Effect of foreign exchange rate changes, net	1,060	(1,213)
<b>Cash and cash equivalent at the end of each period</b>	<b>963,701</b>	<b>781,187</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	907,621	755,354
Short-term deposits with maturity less than 3 months	56,080	25,833
	<b>963,701</b>	<b>781,187</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 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 Act of the Cayman Islands. The registered office address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, 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 AND ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3,	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The revised standards have had no significant financial effect on these financial statements.

## 3. 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 area

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 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. 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.

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
<b>Revenue from contracts with customers</b> Disaggregated revenue information		
<b>Types of goods or service</b>		
Revenue from the sale of motor vehicles	4,614,389	5,484,891
Others	542,053	639,620
Total revenue from contracts with customers	5,156,442	6,124,511
<b>Timing of revenue recognition</b>		
At a point in time	5,156,442	6,124,511

### (b) Other income and gains, net

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
Commission income	85,970	89,842
Logistics and storage income	12,629	13,411
Government grants	1,313	1,841
Interest income	3,473	2,116
Gain on disposal of equity investment	–	145,204
Net gain/(loss) on disposal of items of property, plant and equipment	8,450	(5,952)
Fair value gains, net:		
Financial assets at fair value through profit or loss		
– Financial product	(170)	–
Others	4,677	(9,660)
	116,342	236,802

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
<b>(a) Employee benefit expense (including directors' and chief executive's remuneration)</b>		
Wages and salaries	<b>117,403</b>	127,323
Equity-settled share award expense	<b>33</b>	(132)
Other welfare	<b>26,933</b>	23,652
	<b>144,369</b>	150,843
<b>(b) Cost of sales and services</b>		
Cost of sales of motor vehicles	<b>4,433,088</b>	5,281,697
Others*	<b>306,882</b>	359,544
	<b>4,739,970</b>	5,641,241
<b>(c) Other items</b>		
Depreciation and impairment of property, plant and equipment	<b>78,737</b>	77,698
Depreciation of right-of-use assets	<b>20,521</b>	14,230
Amortisation of intangible assets	<b>411</b>	783
Advertisement and business promotion expenses	<b>34,500</b>	43,896
Lease expenses	<b>3,736</b>	2,596
Bank charges	<b>2,193</b>	2,589
Office expenses	<b>19,294</b>	19,049
Logistics expenses	<b>12,054</b>	7,853
Net (gain)/loss on disposal of items of property, plant and equipment	<b>(8,450)</b>	5,952

\* There were employee benefit expenses of RMB23,930,000 (six months ended 30 June 2021: RMB29,829,000) included in the cost of sales and services.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 6. FINANCE COSTS

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
Interest on bank borrowings and other borrowings	46,503	46,625
Interest expense on lease liabilities	2,691	1,140
	<b>49,194</b>	47,765

## 7. INCOME TAX

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
Current Mainland China corporate income tax	45,228	51,949
Deferred tax	8	20,225
	<b>45,236</b>	72,174

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% (2021: 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% from 1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 8. DIVIDENDS

On 30 August 2022, the board of directors declared an interim dividend of HK\$0.04 (six months ended 30 June 2021: HK\$0.05 per ordinary share) per ordinary share, amounting to a total of HK\$24,000,000 (six months ended 30 June 2021: amounting to a total of HK\$30,000,000).

## 9. 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 2022 is based on the profit for the period attributable to owners of parent, and the weighted average number of ordinary shares of 600,000,000 in issue during the period.

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

	For the six months ended 30 June 2022 Unaudited RMB'000	For the six months ended 30 June 2021 Unaudited RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	<b>77,825</b>	220,619
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>600,000,000</b>	600,000,000
<b>Earnings per share</b>		
Basic and diluted (RMB)	<b>0.13</b>	0.37





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 10. INVENTORIES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Motor vehicles	<b>1,230,034</b>	969,210
Spare parts	<b>90,049</b>	85,163
	<b>1,320,083</b>	1,054,373

As at 30 June 2022, certain of the Group's inventories with an aggregate carrying amount of approximately RMB561,230,000 (31 December 2021: RMB555,131,000) were pledged as security for the Group's bank loans and other borrowings (note 13(a)).

As at 30 June 2022, certain of the Group's inventories with an aggregate carrying amount of approximately RMB208,439,000 (31 December 2021: RMB344,617,000) were pledged as security for the Group's bills payable (note 14).

### 11. TRADE RECEIVABLES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade receivables	<b>38,716</b>	30,671

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 11. TRADE RECEIVABLES (continued)

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within 3 months	34,691	27,707
More than 3 months but less than 1 year	1,389	657
Over 1 year	2,636	2,307
Total	38,716	30,671

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Prepayments and deposits to suppliers	613,132	772,418
Vendor rebate receivables	227,098	207,035
VAT recoverable <sup>(i)</sup>	61,928	78,763
Others	82,988	122,396
Total	985,146	1,180,612

Note:

- (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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

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.

	<b>30 June 2022 Unaudited RMB'000</b>	31 December 2021 Audited RMB'000
Financial assets included in prepayments, other receivables and other assets	<b>310,086</b>	329,431

### 13. BANK LOANS AND OTHER BORROWINGS

	<b>30 June 2022 Unaudited</b>		31 December 2021 Audited	
	<b>Effective interest rate (%)</b>	<b>Amount RMB'000</b>	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	<b>3.3-5.8</b>	<b>1,547,794</b>	3.6-5.8	1,152,576
Other borrowings	<b>1.3-8.5</b>	<b>381,077</b>	1.7-8.6	393,669
		<b>1,928,871</b>		1,546,245
NON-CURRENT:				
Bank loans	<b>3.5-5.9</b>	<b>582,035</b>	3.5-5.9	760,774
		<b>2,510,906</b>		2,307,019
Bank loans and other borrowings represent:				
– secured loans (a)		<b>1,901,600</b>		1,798,885
– unsecured loans		<b>609,306</b>		508,134
		<b>2,510,906</b>		2,307,019

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 13. BANK LOANS AND OTHER BORROWINGS (continued)

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Analysed into:		
Bank loans repayable		
Within one year	<b>1,547,794</b>	1,152,576
In the second year	<b>331,998</b>	541,250
In the third to fifth years, inclusive	<b>95,777</b>	191,324
Over fifth years	<b>154,260</b>	28,200
	<b>2,129,829</b>	1,913,350
Other borrowings repayable		
Within one year	<b>381,077</b>	393,669
Total	<b>2,510,906</b>	2,307,019

- (a) As at 30 June 2022, certain of the Group's bank loans and other borrowings are secured by:
- (i) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB561,230,000 (31 December 2021: RMB555,131,000) (note 10);
  - (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB355,020,000 (31 December 2021: RMB369,103,000);
  - (iii) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB258,349,000 (31 December 2021: RMB192,321,000);
  - (iv) mortgages over the Group's construction in progress, which had an aggregate carrying value of approximately RMB284,762,000 (31 December 2021: RMB221,372,000);
  - (v) mortgages over the Group's bank deposits, which had an aggregate carrying value of approximately RMB118,741,000 (31 December 2021: nil) and US\$8,630,000 (equivalent to RMB57,919,000) (31 December 2021: US\$8,630,000 (equivalent to RMB55,025,000));
  - (vi) As at 31 December 2021, mortgages over the Group's deposits, which had an aggregate carrying value of RMB2,257,500.
- (b) Except for the secured bank loan amounting to HK\$78,400,000 (equivalent to RMB67,047,000) (31 December 2021: HK\$178,400,000 (equivalent to RMB145,860,000)) which is denominated in Hong Kong dollars, all borrowings are in Renminbi.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 14. TRADE AND BILLS PAYABLES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade payables	<b>102,276</b>	62,897
Bills payable	<b>593,757</b>	569,367
Trade and bills payables	<b>696,033</b>	632,264

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within 3 months	<b>653,443</b>	620,579
3 to 6 months	<b>38,302</b>	7,963
6 to 12 months	<b>736</b>	718
Over 12 months	<b>3,552</b>	3,004
Total	<b>696,033</b>	632,264

The trade and bills payables are non-interest-bearing. The trade and bills payables are normally settled on 90-180 days terms.

As at 30 June 2022, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB208,439,000 (31 December 2021: RMB344,617,000) (note 10).

As at 30 June 2022, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB246,643,000 (31 December 2021: RMB226,011,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 15. SHARE CAPITAL

### Issued and fully paid

	No. of shares at US\$0.0001 each	Equivalent to RMB'000
Ordinary shares	600,000,000	377

## 16. SHARE-BASED PAYMENTS

### (a) Pre-IPO SHARE AWARD SCHEME

The Company's Pre-IPO Share Award Scheme was approved and adopted on 8 January 2014 for the purpose of recognising and rewarding the contributions of the selected employees of the Group and motivating their contribution to the future development of the Group.

For the implementation of the Pre-IPO Share Award Scheme, a Management Trust was established by Top Wheel Limited which was fully owned by Mr. Wu Tak Lam and Ms. Chiu Man on 8 January 2014 with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel Limited transferred, for nil consideration, 9,000,000 Shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. The vest in full of the share award would, under the present capital structure of the Company, have no impact on the additional ordinary shares of the Company.

The following awarded shares were outstanding under the Scheme during the period:

	2022 Number of awarded shares '000	2021 Number of awarded shares '000
At 1 January	<b>475</b>	1,476
Vested during the period	<b>(364)</b>	(597)
Forfeited during the period	–	(404)
At 30 June	<b>111</b>	475

Under the Pre-IPO Share Award Scheme, vesting period 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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 16. SHARE-BASED PAYMENTS (continued)

#### (a) Pre-IPO SHARE AWARD SCHEME (continued)

Particulars of awarded shares as at 30 June 2022 and 31 December 2021 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK\$/share	Number of outstanding shares as at	
			30 June 2022 '000	31 December 2021 '000
5 years	23 Jan 2017	2.19	–	252
5 years	8 Feb 2018	1.23	111	223
			111	475

No share awards were granted for the period ended 30 June 2022.

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

The Group recognised a share awards expense of RMB33,000 (six months ended 30 June 2021: reversed a share awards expense of RMB132,000) during the six months ended 30 June 2022.

At the end of the period, the Company had 111,000 (31 December 2021: 475,000) awarded shares outstanding under the Pre-IPO Share Award Scheme.

#### (b) Share Option Scheme

On 18 January 2014, a share option scheme was approved and adopted by the then shareholder (the “Share Option Scheme”) for the purposes of recognising and rewarding the contributions of the selected employees of the Group and motivating their contribution to the future development of the Group.

No share options were granted under the Share Option Scheme during the period ended 30 June 2022 and 30 June 2021.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 17. RESERVES

### (i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements 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.

### (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.

### (iv) Capital reserve

The capital reserve of the Group represents the capital contributions from the equity holders of the Company and the excess of the carrying amount of the non-controlling interests acquired over the consideration.

## 18. CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

## 19. COMMITMENTS

### Capital commitments

Capital commitments of the Group at the reporting date not provided for in these financial statements are as follows:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Contracted, but not provided for Buildings	126,858	127,589





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 20. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders (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

The following transactions were carried out with a related company during the period:

	30 June 2022 Unaudited RMB'000	30 June 2021 Unaudited RMB'000
(i) Sales of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.*	<b>1,337</b>	3,363
(ii) Purchase of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.*	<b>1,020</b>	66

\* Yangzhou Sunfonda Automobile Co., Ltd. is controlled by Mr. Zhao Yijian.

The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

#### (b) Balances with related parties

Due from a related party:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade related Yangzhou Sunfonda Automobile Co., Ltd.	<b>5,219</b>	5,810

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	30 June 2022 Unaudited RMB'000	30 June 2021 Unaudited RMB'000
Short term employee benefits	<b>2,944</b>	3,191
Equity-settled share award expense	<b>23</b>	11
Post-employee benefits	<b>42</b>	46
<b>Total compensation paid to key management personnel</b>	<b>3,009</b>	3,248

### 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair Values	
	2022 RMB'000 Unaudited	2021 RMB'000 Audited	2022 RMB'000 Unaudited	2021 RMB'000 Audited
Financial assets at fair value through profit or loss	<b>3,381</b>	3,552	<b>3,381</b>	3,552



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

As at 30 June 2022

	Quoted prices in active markets (Level 1) RMB'000 Unaudited	Fair value measurement using Significant observable inputs (Level 2) RMB'000 Unaudited	Significant unobservable inputs (Level 3) RMB'000 Unaudited	Total RMB'000 Unaudited
Financial assets at fair value through profit or loss	3,381	–	–	3,381

As at 31 December 2021

	Quoted prices in active markets (Level 1) RMB'000 Audited	Fair value measurement using Significant observable inputs (Level 2) RMB'000 Audited	Significant unobservable inputs (Level 3) RMB'000 Audited	Total RMB'000 Audited
Financial assets at fair value through profit or loss	3,552	–	–	3,552

### 22. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2022.

### 23. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2022.