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

Annual Report
2014

CONTENTS

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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Executive Directors

Mr. Wu Tak Lam *(Chairman)*
Ms. Chiu Man *(Chief Executive Officer)*
Mr. Jia Ruobing
Mr. Xia Kun

Non-executive Director

Mr. Zhu Wei

Independent Non-executive Directors

Mr. Liu Jie
Mr. Yu Yuanbo
Mr. Fu Johnson Chi-King

AUDIT COMMITTEE

Mr. Liu Jie *(Chairman)*
Mr. Yu Yuanbo
Mr. Fu Johnson Chi-King

NOMINATION COMMITTEE

Mr. Wu Tak Lam *(Chairman)*
Mr. Liu Jie
Mr. Yu Yuanbo
Mr. Fu Johnson Chi-King

REMUNERATION COMMITTEE

Mr. Yu Yuanbo *(Chairman)*
Mr. Fu Johnson Chi-King
Mr. Liu Jie

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam
Ms. So Yee Kwan

COMPANY SECRETARY

Ms. So Yee Kwan

HEADQUARTERS

Sunfonda Automobile Center
Beichen Avenue, Chanba Ecological District
Xi'an City, Shaanxi Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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China

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STOCK CODE

01771

WEBSITE

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FINANCIAL HIGHLIGHTS

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

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

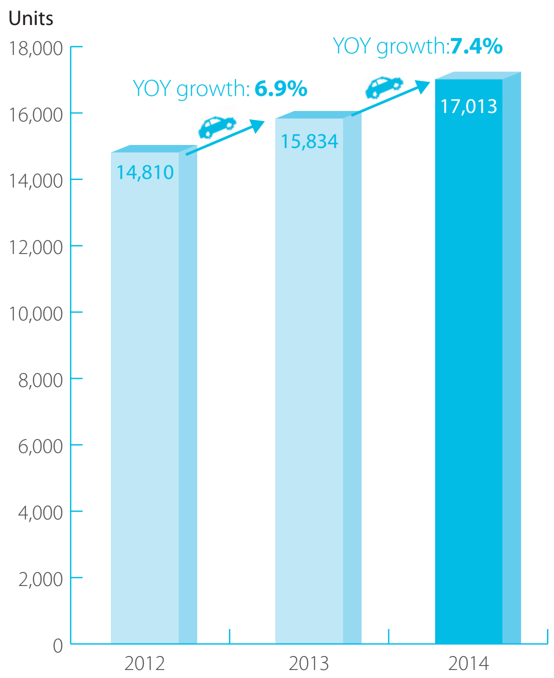
Revenue from after-sales services for the year ended 31 December 2014 increased by 6.4% to RMB737.4 million as compared with the corresponding period in 2013.

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

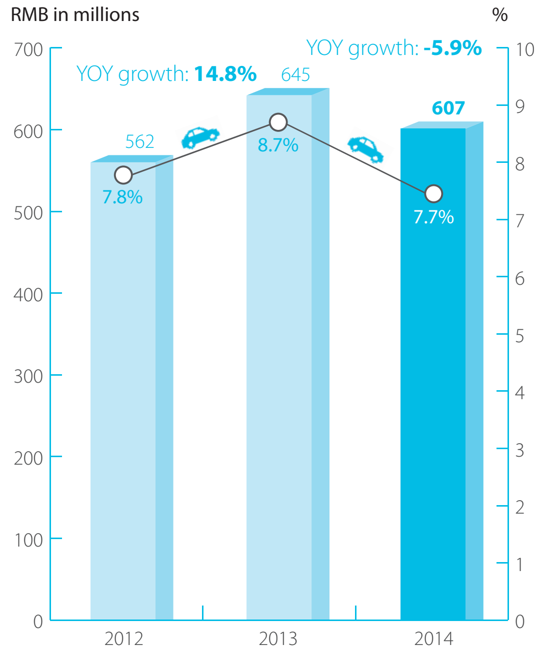
Profit attributable to owners of the parent for the year ended 31 December 2014 decreased by 7.1% to RMB172.4 million as compared with the corresponding period in 2013.

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

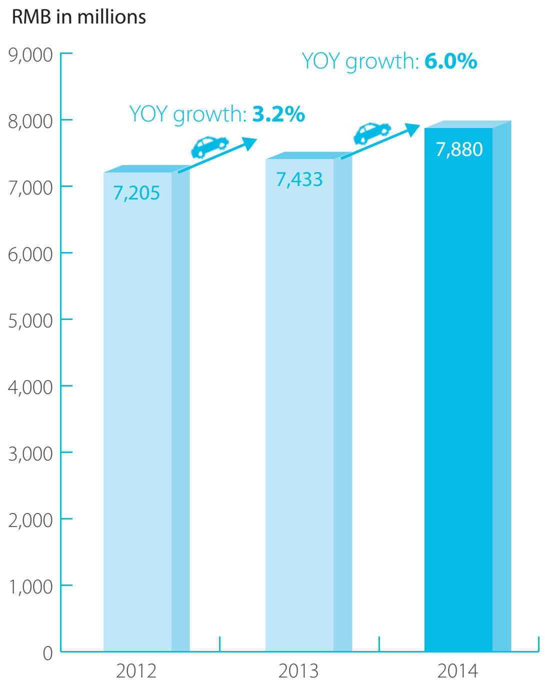
The sales volume of passenger vehicles



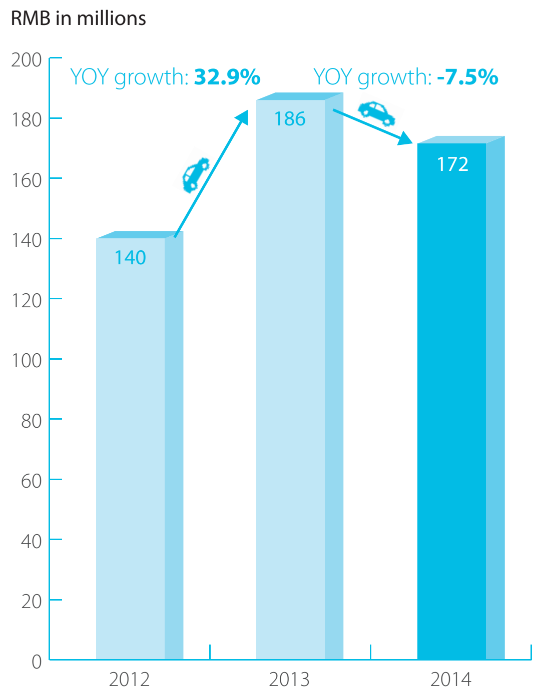
The gross profit and gross profit margin



Revenue



Profit attributable to owners of the Company



Note: "YOY" means 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 audited annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014.

Despite the complex global macroeconomic environment and the various challenges of the Chinese domestic economic development in 2014, China still managed to achieve Gross Domestic Product (GDP) growth at 7.4%, being one of the highest economic growth rates in the world. Moreover, the China automobile sector in which the Group operates performed a steady growth last year too. According to the statistics published by the China Association of Automobile Manufacturers, as compared with 2013, the number of manufactured vehicles increased by 7.3% to 23,722,900 and the sales of vehicles increased by 6.9% to 23,491,900 vehicles. Among the total number of vehicles sales, the sales of passenger vehicles increased steadily by 9.9% to 19.7 million. In overall, China automobile sector was in the steady growth trend in 2014, but since the second half of 2014, the downturn in macroeconomic results in curbing growth rate of in China nevertheless.

Against this backdrop, by seizing the opportunity arising from the successful listing on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 May 2014 (the "**Listing**"), the Company has been recruiting high caliber of staff, strengthening internal control and management, unleashing potential, enhancing operational efficiency and exploring the innovation of business and a profitable business model proactively. As a result, the Company accomplished various key performance indicators of 2014 set out earlier of the year. In addition, the Group organized a few of thanksgiving campaigns in the Northwest regional market of China, which conduced to a very positive "word of mouth" effect and improved the public recognition of the brands under the Company as well as its reputation in the Northwestern region.

For the year ended 31 December 2014, the revenue of the Group increased by 6.0% to RMB7,879.5 million, the gross profit of the Group decreased by 5.8% to RMB607.1 million and the profit after tax of the Group decreased by 7.0% to RMB172.7 million, as compared with the revenue of RMB7,432.7 million, the gross profit of RMB644.8 million and the profit after tax of RMB185.6 million in the corresponding period in 2013 respectively. For the year ended 31 December 2014, the earnings per share were RMB0.32, representing a decrease of RMB0.09 per share from the same period last year.

In 2014, the sales of new automobiles of the Group increased by 7.4% to 17,013 which contributed gross profit of RMB274.0 million, representing a decrease of 18.7% as compared with 2013. On the other hand, the revenue and gross profit contributed from the after-sales services amounted to RMB737.4 million and RMB333.1 million respectively, representing an increase of 6.4% and 8.3% respectively as compared with 2013.

Given the fact of slowdown in Chinese economy in 2014 and taking account of the current coverage of distribution network of the Group in the regional market, the Group has been proactively adapting to the new requirement of the dynamics of economic development change, for example the moderate expansion of brands distribution network. In 2014, the Company opened seven (7) stores in total, 4S dealership stores[1], 3S dealership stores[2] and showrooms in total, including one Maserati showroom and one Maserati 3S store located in Taiyuan City, Shanxi Province; one Maserati 4S store located in Yinchuan City, Ningxia Hui Autonomous Region; one Audi 4S store located in Beijing; one Audi 4S store located in Weinan City, Shaanxi Province; one Audi 4S store located in Yangzhou City, Jiangsu Province; as well as one additional Ferrari and Maserati 3S co-branded store in Xi'an. By opening these new stores, we had further expanded the coverage of our principal brands as well as optimized and consolidated our market position in our service areas. To avoid any adverse effect on the Group's overall operating performance in 2014, we decided to slowdown the development and the construction of the automobile culture industrial park as scheduled, and to reduce the impact of capital expenditure and loss incurred by opening new stores. Moreover, in order to keep operating costs low, we closed four Xi'an downtown brand showrooms in 2014. As at the date of the annual report, the Group had a total of 26 passenger vehicle dealership stores and one warehouse for FAW-Volkswagen spare parts in operation, 96% of which were for luxury and ultra-luxury automobiles.

1 The dealership stores are authorized to provide four types of integrated standard automobile-related business, including sales, spare parts, service and survey.

2 The dealership stores are authorized to provide three types of integrated standard automobile-related business, including spare parts, service and survey.

We are confident in sustainable economic growth in China under the dynamics of economic development. We also believe that the Chinese domestic demand on automobile market remains solid and the potential demand is tremendous. There is trend of core domestic automobile market moving from Eastern China to Western China and therefore we are optimistic about the potential growth of the Chinese automobile market for luxury and ultra-luxury passenger automobiles, especially the Northwestern region market where the Group's business networks cover.

Regarding the managements, the Group will look into the management structure and enhance management efficiency, and focus on the staff training and team formation. In order to become competitive and to achieve the optimal economic of scale, on top of boosting the revenue of the Group, the Group will develop the awareness of cost control and saving.

The Group has formulated a proactive and strategic brand development plan. We will integrate our regional resource advantages, adapt the advanced operating model to develop the automobile culture industrial zone, consolidate the strong brands' portfolio, perform synergy, reduce management costs, enhance the profitability and expand the regional footprint. On the other hand, the Group targets to maintain the leading position of the luxury and ultra-luxury brands in the Northwestern market by way of diversifying the brand portfolio, emphasizing the sales of popular brands in China. In order to achieve the sustainable development and solid foundation for the Group, we also explore the opportunity in the market of the mid-range brands automobiles and balance the risk exposure on the automobile markets.

In conclusion, given the downturn in macroeconomic and fierce rivalry in the automobile industry throughout the year, the Group managed to sustain the growth and have solid performance. The success of the year was contributed by the remarkable performance of the Group's staff and their dedication to the Group, and the support and faith from the shareholders of the Company, the business partners and customers. In this regard, I, on behalf of the Board, would like to express my sincere gratitude to all the people from different sectors for their outstanding contributions to the development of the Group!

Wu Tak Lam
Chairman

27 March 2015

1. MARKET REVIEW

Economic and industry trends

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

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

Brand portfolio's performance

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

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

Development and Outlook

Since 2014, the China started the reforms in China's automobile industry. The revised Measures for the Administration of Automobile Sales (《汽車銷售管理辦法》) will become effective in the first half of 2015. Besides, a pilot project for the parallel import of motor vehicles has been launched in the Shanghai Free Trade Zone. Under the situation of the reforms in the public transportation and the advocacy of new energy vehicles, the business and the sales of brand named automobiles will develop in both challenges and opportunities. In order to broaden income stream for the Company, the Company will continue to streamline the flow of operational chain, explore and innovate the new business model and provisions of the integrated automobile services and products. In addition, taking account of the dynamic environment of the direction and the reforms in the automobile market, the Company strives to expand our footprint into the area of parallel imports, new energy vehicles, the auto parts and automobile e-commerce facilities.

While the Chinese government keeps optimizing macroeconomic structure and implementing the strategic of One Belt and One Road initiative, the Group will seize these opportunities and utilize the advantage of significant presence in Northwestern and Eastern China. Based on the successful experience in running high-end brands automobile business, the Group will continue to strengthen the innovation in business model of after-sales services and develop the used automobile trading and new energy vehicle retails businesses. We are confident that the Group will become an outstanding dealership group by way of the gradual increase in the market share in this industry and improvement the operating results.

2. BUSINESS REVIEW

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

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

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

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

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

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

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

45.2% as compared to 2013. The throughput volume amounted to 176,875 units, representing an increase of 3.9% as compared to 2013.

Strengthening business cooperation and introducing new development model

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

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

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

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

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

Reasonably controlling the development progress and optimizing the network planning

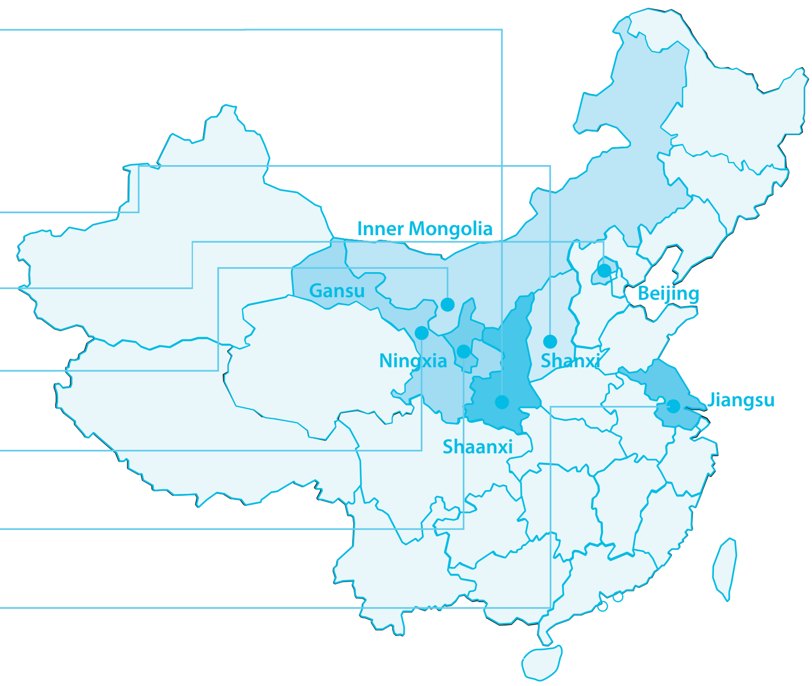
In 2014, the Group continued to strengthen its leading position of luxury and ultra-luxury brands in the regions where it operates, and optimized the strategic network planning in the provinces and cities in Northwestern China and certain regions in Shanxi and Jiangsu Province with the dealership network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

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

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

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

Shaanxi (14)	
Audi (4)	Lexus (1)
Porsche (2)	Cadillac (1)
Bentley (1)	Ferrari/Maserati (1)
FAW-Toyota (1)	VW Imported (1)
Hongqi (1)	Benz (1)
Shanxi (3)	
Porsche (1)	Maserati (2)
Beijing (1)	
Audi (1)	
Inner Mongolia (2)	
Porsche (1)	Cadillac (1)
Gansu (1)	
Porsche (1)	
Ningxia (2)	
Porsche (1)	Maserati (1)
Jiangsu (3)	
VW Imported (2)	Audi (1)



Continuous enhancement of the management and control system

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

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

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

- Improving the management of sales structure and inventory level on an ongoing basis;
- Further developing and enhancing the internal staff to establish a reasonable reserve and hierarchy system for key management;
- Adjusting and optimizing the performance appraisal and remuneration management system with an aim to improve the profitability so as to motivate the management and staff for better revenue of the Company; and
- Achieving higher customer satisfaction and loyalty through membership card and various thanksgiving activities and the provision of one stop service.

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

3. FINANCIAL REVIEW

Revenue

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

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

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

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

Cost of sales and services

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

Gross profit

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

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

Other net income and gains

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

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

Selling and distribution expenses

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

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

Administrative expenses

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

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

Finance costs

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

Profit before tax

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

Income tax expense

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

Profit for the year

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

Profit for the period attributable to owners of the parent

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

4. LIQUIDITY AND CAPITAL RESOURCES

Cash flow

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

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

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

Net current assets/(liabilities)

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

Inventories

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

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

Bank loans and other borrowings

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

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

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

Pledge of assets

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

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

Capital expenditures and investment

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

Contingent liabilities

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

Staff cost and employee remuneration policy

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

Interest rate risks

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

Exchange rate risks

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

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

5. FUTURE STRATEGY AND PROSPECTS

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

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

Attributable to the national strategy of "One belt and One road Initiatives", the five provinces in Northwestern China along the Silk Road on land will embrace significant development opportunities including the expansion of road and transportation network and acceleration of energy and infrastructure construction. Shaanxi Province, the starting point of the ancient Silk Road of China and one of the major hubs on the New Eurasian Land Bridge, will adapt to changing situations and take the initiative to boost its development by tapping into opportunities arising from the creation of the Silk Road Economic Belt. The booming economy and trade will facilitate the growth of regional investment and economy, inducing higher consumer spending and booming development of automobile industry. As a leading automobile dealer in Shaanxi Province and Northwestern China, the Group will further develop and expand its business as follows:

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

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

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

Expanding brand portfolio to enhance business scale and profitability

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

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

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

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

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

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

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

- Targeting at boosting gross profits from the sales of new automobiles by reinforcing differentiated marketing efforts and fully utilizing e-marketing tools
- Establishing an industrial park for used automobile trade to proactively engage in used automobile business, so as to create a new growth point in profit contribution
- Enhancing after-sales warranty to achieve higher customer satisfaction and recognition
- Further developing warranty extending business with the coordination of the Group and the support from professionals, so as to boost revenue from after-sales business
- Strengthening customer management by improving customer loyalty through the establishment of an e-commerce platform and the recommendation of mobile applications for customers
- Maintaining a reasonable level of inventory by keeping a close eye on and taking timely actions to dispose of obsolete inventory
- Optimizing the performance assessment mechanism to balance up internal resources and strengthen system construction and thereby enhancing competitiveness
- Reinforcing management and experience sharing to raise the operation and management standards of the senior management of the Group

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

BIOGRAPHIES OF EXISTING DIRECTORS, SENIOR MANAGEMENT AND SECRETARY

Directors

Executive Directors

Mr. Wu Tak Lam (胡德林), aged 53, was appointed as the Chairman and an executive director of the Company on 13 January 2011. He is also the Chairman of the Nomination Committee of the Company. Mr. Wu founded the Group with Ms. Chiu Man in November 2000 and has been primarily responsible for the strategic management, planning and business development of the Group as well as development and maintenance of relationship with automobile suppliers of the Group. Mr. Wu serves as the chairman of the board and a director of each of the subsidiaries of the Company, and he has also been a director of Sunfonda (Hong Kong) Limited since April 1997. Prior to the establishment of the Group, Mr. Wu worked at China National Automotive Industry Sales Corp. (中國汽車工業銷售總公司) from July 1986 to December 1992. From August 1993 to March 1997, Mr. Wu was the managing director of Sunfonda Limited (新豐泰有限公司), which conducted import and export trade business and dissolved in September 2002. He graduated from Wuhan Institute of Technology (武漢工學院, currently known as Wuhan University of Technology (武漢理工大學)) located in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. He is also the sole shareholder and director of Golden Speed Enterprises Limited ("**Golden Speed**", a controlling shareholder of the Company), a director of Top Wheel Limited ("**Top Wheel**", a controlled corporation of Golden Speed and a controlling shareholder of the Company), and the husband of Ms. Chiu Man (the chief executive officer of the Group, an executive director and a controlling shareholder of the Company).

Ms. Chiu Man (趙敏), aged 51, was appointed as the chief executive officer of the Group and an executive director of the Company on 13 January 2011. Ms. Chiu founded the Group with Mr. Wu Tak Lam in November 2000 and has been primarily responsible for the overall management and financial control of the Group. Ms. Chiu serves as a director in each of the subsidiaries of the Company and has also been a director of Sunfonda (Hong Kong) Limited since April 1997. Ms. Chiu graduated from Wuhan University of Technology majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. She is also the sole shareholder and director of Win Force Enterprises Limited ("**Win Force**", a controlling shareholder of the Company), a director of Top Wheel (a controlled corporation of Win Force and a controlling shareholder of the Company), and the wife of Mr. Wu Tak Lam (the Chairman, an executive director and a controlling shareholder of the Company).

Mr. Jia Ruobing (賈若冰), aged 40, was appointed as an executive director of the Company on 11 June 2012. Mr. Jia joined the Group in October 2011 and has been the chief operating officer of the Group since then, primarily responsible for the overall operation of the Group. Mr. Jia also serves as a director of Grand Forever Enterprises Limited, a subsidiary of the Group. Prior to joining the Group, he served as the luxury brand general manager of China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 01728), from September 2010 to September 2011, and as the Beijing regional sales director of Beijing Yan De Bao Automobile Sales Co., Ltd. (北京燕德寶汽車銷售有限公司) from June 2005 to August 2010, during which he was awarded the title of General Manager of Outstanding Mini Team 2009 and granted a Top Sales Performance Award from BMW China on 20 January 2010. Mr. Jia graduated from South China University of Technology (華南理工大學) located in Guangzhou, China, majoring in international trade in July 1996. He obtained an executive diploma in management from the School of Business and Management of the Hong Kong University of Science and Technology in February 2008.

Mr. Xia Kun (夏坤), aged 50, was appointed as an executive director of the Company on 20 November 2014. Mr. Xia was appointed as the after-sales service general manager of the Group on 1 January 2012, responsible for the management of after-sales services of the subsidiaries of the Company. Mr. Xia joined the Group in October 2001. He has been the general manager of Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd. (西安新銘洋豐田汽車銷售服務有限公司) since March 2009. He previously served as the general manager and the service director of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from September 2006 to March 2009 and from October 2001 to September 2006, respectively. Prior to joining the Group, Mr. Xia worked as an assistant to the director of Shaanxi Water, Electricity and Automobile Maintenance General Factory (陝西省水電汽車維修總廠) from July 1989 to June 2001. Mr. Xia graduated from Xi'an Highway Institute ((西安公路學院), currently known as Chang'an University (長安大學)) located in Xi'an, China, majoring in automobile application engineering and obtained a bachelor's degree in engineering in July 1989.

Non-executive Director

Mr. Zhu Wei (朱偉), aged 52, was appointed as a non-executive director of the Company on 21 April 2011. Mr. Zhu joined Standard Chartered PLC (HKEx: 02888; LSE: STAN; NSE: STAN) in September 2009 as a managing director, primarily responsible for the bank's direct investment business in the Greater China Region. Mr. Zhu was previously a director of Zhuhai Zhongfu Enterprise Co., Ltd. (珠海中富實業股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000659) from November 2008 to January 2010. Mr. Zhu also holds directorships in Henan Golden Dragon Precise Copper Tube Inc. (河南金龍精密銅管集團股份有限公司), Shandong Sangle Solar Energy Co., Ltd. (山東桑樂太陽能有限公司), Wuhan Ecoplast Technologies Inc. (武漢華麗環保科技有限公司) and Hangzhou Kuka Furnishing Co., Ltd. (杭州顧家家居有限公司). Prior to joining Standard Chartered PLC, he was a senior managing director of CVC Asia Pacific Ltd. (CVC亞太投資有限公司) from July 2008 to July 2009, responsible for investments in China. He served as the managing director of Goldman Sachs Gao Hua Securities Co., Ltd. (高盛高華證券有限公司) from November 2005 to July 2008, responsible for investment banking business in Shanghai. He was the president of the China Region of Roland Berger Strategy Consultants (羅蘭貝格管理顧問有限公司) from April 2004 to November 2005. He joined A.T. Kearney, Inc. (科爾尼管理顧問有限公司) in April 1993 and served as vice president of A.T. Kearney, Inc. and managing director of its Greater China Region from October 2001 to January 2004. Mr. Zhu obtained a bachelor's degree in foreign service from Georgetown University (喬治城大學) located in Washington, DC in the US in 1986 and a master's degree in business administration from The University of Chicago (芝加哥大學) located in Chicago, Illinois in the US in 1992.

Independent non-executive Directors

Mr. Liu Jie (劉傑), aged 51, was appointed as an independent non-executive director of the Company on 19 June 2012. He is also the Chairman of the Audit Committee, a member of both the Nomination Committee and the Remuneration Committee of the Company. Mr. Liu has been a professor and supervisor of Ph.D candidates at the School of Economics and Management of Tongji University since July 2000, a professor and supervisor of Ph.D candidates at the School of Management of Fudan University since April 2004, a part-time professor and supervisor of Ph.D candidates at the School of Economics and Management of Tongji University since September 2005, and a honorary professor in the Faculty of Business and Economics of the University of Hong Kong since September 2011. From October 1995 to January 1998, Mr. Liu was the deputy general manager of Shanghai Tongji Science & Technology Industrial Co., Ltd. (上海同濟科技實業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600846). Mr. Liu has also served as the chairman of the board and general manager of Shanghai Tongji Travel Agency Co., Ltd. (上海同濟旅行社有限公司) since February 1997 and as the chairman of the board and general manager of Shanghai Tongji Biological Products Co., Ltd. (上海同濟生物製品有限公司) since April 1997. He was a director of Shanghai Tongji Science & Technology Industrial Co., Ltd. from May 1997 to June 2005, an independent director of Shanghai Material Trading Co., Ltd. (上海物貿中心股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600822) from October 2001 to June 2007, and an independent non-executive director of China Cyber Port (International) Company Limited (神州奧美網

絡國際有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 08206) from February 2007 to October 2008. Mr. Liu graduated from Tongji University (同濟大學) located in Shanghai, China, majoring in industrial automation, and obtained a bachelor's degree and a master's degree in engineering in July 1987 and December 1990, respectively. He graduated from the same university majoring in management science and engineering and obtained a doctoral degree in engineering in July 1995.

Mr. Yu Yuanbo (于元渤), aged 46, was appointed as an independent non-executive director of the Company on 19 June 2012. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Yu has been the vice chairman of China Automobile Dealers Association (中國汽車流通協會) since January 2005, mainly responsible for collection and publication of statistics related to the China automobile industry. From September 2003 to October 2005, Mr. Yu served as the vice president of China Huahai Investment & Guaranty Co., Ltd. (中國華海投資擔保有限公司), and served as the vice general manager of Huaxing South Automobile Trading Co., Ltd. (華星南方汽車貿易有限公司) from July 2001 to September 2003. Prior to this, he worked in various government agencies, including as the supervisor (at the director level) of the Supervisory Board of Central Enterprise Work Commission (中央企業工委監事會) from February 2001 to July 2001, the secretary (at the deputy-director level) of the Office of the State Bureau of Internal Trade (國家國內貿易局辦公室) from September 1997 to February 2001, the deputy director of the consumer product circulation department and the general office of the Ministry of Internal Trade (國內貿易部) from September 1993 to September 1997, and a cadre of the Infrastructure Storage and Transportation Division of Department of Commerce (商業部基建儲運司) from July 1991 to September 1993. Mr. Yu graduated from Tianjin Business School (天津商學院, currently known as Tianjin University of Commerce (天津商業大學)) located in Tianjin, China, majoring in packaging engineering, and obtained a bachelor's degree in engineering in July 1991. He graduated from a postgraduate class at Beijing Technology and Business University (北京工商大學) located in Beijing, China, majoring in industrial economics in July 2000.

Mr. Fu Johnson Chi-King (符致京), aged 60, was appointed as an independent non-executive director of the Company on 18 January 2014. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Fu was the chief executive officer of Kingold Group Companies Ltd located in Guangzhou, China, which has investments in real estate, hotels, resorts, media, education and IT. He has been an independent non-executive director of China Hanking Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 03788) since February 2011, where he served as a member of the audit committee and therefore extensively participated in reviewing and analyzing the company's financial reports and diligently supervised and assessed the company's internal controls. Mr. Fu's major recent work experience in the financial industry is summarized below. From January 2011 to February 2013, he served as the country manager (China) for Rabobank Netherland. From February 2010 to August 2010, he served as a director and the chief executive officer of ChemChina Finance Co., Ltd. (中國化工財務有限公司), a wholly-owned subsidiary of China state-owned China National Chemical Corporation (中國化工集團公司), where he was fully responsible for managing the cashflow and investment of ChemChina Group. From August 2005 to May 2009, he worked for Hang Seng Bank Limited, Hong Kong, held the position of an executive director and the chief executive of Hang Seng Bank (China) Limited (恒生銀行(中國)有限公司) during the period, and participated in the preparation and review of the financial information that are consolidated into the public financial statements of Hang Seng Bank Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 00011). Prior to August 2005, Mr. Fu held various management positions in a number of financial institutions and other companies. Mr. Fu obtained a bachelor's degree in business administration from Loyola University (洛約拉大學) located in New Orleans, Louisiana in the US in 1975 and a master's degree in business administration from the University of California, Berkeley (加州大學柏克萊分校) located in Berkeley, California in the US in 1976.

Senior management

Mr. Wang Taisong (王泰松), aged 47, joined the Group on 16 October 2012 and was appointed as the chief financial officer of the Group responsible for the accounting and financial management of the Group. Prior to joining the Group, Mr. Wang served as the vice president of finance in China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份公司) from August 2010 to October 2012. He acted as the finance director of the China region of Andrew Telecommunications (China) Co., Ltd. (安德魯電信器材(中國)有限公司), a United States manufacturer of telecommunication devices, from August 2005 to April 2010, overseeing the accounting and financial management of the company and its subsidiaries. Mr. Wang also worked in Lucent Technologies Qingdao Telecommunications Systems Co., Ltd. (青島朗訊科技通訊設備有限公司) which is owned by the United States Lucent Technologies from April 1996 to July 2005, where he served as the finance director from 2001 to 2005. Mr. Wang graduated from Suzhou Institute of Silk Textile Technology ((蘇州絲綢工學院), currently known as Soochow University (蘇州大學)) located in Suzhou, China with a bachelor's degree in industrial management engineering in 1992. He completed a master diploma course in accountancy at China Ocean University (中國海洋大學) located in Qingdao, China in September 2004. In September 2008, he graduated from China Europe International Business School (中歐商學院) located in Shanghai, China with a master's degree in business administration. Mr. Wang was granted the qualification of accountant by the Ministry of Personnel of the PRC in May 1997.

Mr. Liu Zhanli (劉戰利), aged 42, was appointed as the Audi brand manager of the Group on 1 January 2012, responsible for Audi brand management and network development. Mr. Liu joined the Group in October 2003 and has been the department manager and the general manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) since then. Prior to joining the Group, he worked as a salesman in Xi'an Jiuyuan High Voltage Capacitor Factory (西安九元高壓電容器廠) from December 1995 to October 2003. Mr. Liu graduated from Xi'an Statistical Institute (西安統計學院, currently known as Xi'an University of Finance and Economics (西安財經學院)) located in Xi'an, China with a college diploma in economics in July 1995.

Mr. Ma Xiao Dong (馬曉東), aged 48, was appointed as the vice president of the Group on 13 August 2014, responsible for daily operational management of the Group. Prior to joining the Group, Mr. Ma worked in the Port of Dalian Authority as a staff from July 1990 to December 1997, and worked as the general manager of 美國年氏投資公司會所 from January 1998 to February 2000. He served as sales director of business division in 福州神龍集團 from March 2000 to February 2004 and as the general manager of the 4S stores of 長春日產凱紳 from April 2004 to October 2005. From December 2005 to June 2014, Mr. Ma worked in Zhongsheng Group Holdings Limited (中升集團控股有限公司) and served as the general manager of Nissan brand, Audi brand, Toyota brand, the general manager of Southwestern region for Toyota brand and the general manager of Yunnan market, respectively. Mr. Ma graduated from Dalian Maritime Transportation Institute ((大連海運學院), currently known as Dalian Maritime University (大連海事大學)) located in Dalian, PRC in July 1990 and obtained a bachelor degree in ship electrical engineering.

Company secretary

Ms. So Yee Kwan (蘇漪筠), aged 33, was appointed as the company secretary of the Company on 18 January 2014. Ms. So is a manager of the corporate services division of Tricor Services Limited, which is a global professional services provider specializing in integrated business, corporate and investor services. She has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many companies listed on the Hong Kong Stock Exchange for the past ten years. Ms. So is a Chartered Secretary and an Associate of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. So received a bachelor's degree in international business management from Oxford Brookes University (牛津布魯克斯大學) in the United Kingdom and a Master of Arts in Professional Accounting and Information Systems from City University of Hong Kong (香港城市大學).

CORPORATE GOVERNANCE PRACTICE OF THE COMPANY

The Board believes that 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 has adopted the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") since the listing date, i.e. 15 May 2014 (the "**Listing Date**"). The Company regularly reviews its corporate governance practice to ensure the compliance with the CG Code.

The Board is of the view that, from the Listing Date to the period ended 31 December 2014 (the "**Reporting Period**"), the Company has complied with the code provisions set out in the CG Code. The major corporate governance principles and practices of the Company are summarised as below.

BOARD

The Board of the Company is jointly responsible to all shareholders for leading and overseeing the operations of the Group so as to ensure the achievement of the objective of value adding to shareholders. The Board is responsible for the overall development of the Group, approving and monitoring the overall development strategies of the Group, assessing, monitoring and controlling the operation and financial performance, ensuring the directors of the Company perform their duties properly and act in the best interests of the Group and hold discussions on various important and proper businesses of the Company in a timely manner. All directors are entitled to include any matter that needs to be submitted to the Board for discussion in the agenda of the Board meeting. The management shall provide members of the Board and specialised committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Company to facilitate discharge of their duties and make informed assessment and decision.

The executive directors and the senior staff are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board fully support the senior staff to discharge their responsibilities.

BOARD COMPOSITION

Directors of the Company as at the date of this report were as follows:

Executive Directors:

Mr. Wu Tak Lam *(Chairman of the Board and Chairman of the Nomination Committee)*
Ms. Chiu Man *(Chief Executive Officer)*
Mr. Jia Ruobing
Mr. Xia Kun

Non-executive Director:

Mr. Zhu Wei

Independent Non-executive Directors:

Mr. Liu Jie *(Chairman of the Audit Committee, member of each of the Nomination Committee and Remuneration Committee)*
Mr. Yu Yuanbo *(Chairman of the Remuneration Committee, member of each of the Audit Committee and Nomination Committee)*
Mr. Fu Johnson Chi-King *(Member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee)*

The biographical details of the current directors and the relationship among them, if any, are set out on pages 27 to 31 of this annual report.

The appointment of independent non-executive directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received an annual written confirmation of independence from each of the independent non-executive directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of the non-executive directors brings his own relevant expertise to the Board. The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board, and are also invited to join the Board committees of the Company. Through active participation in Board meetings and taking the lead in managing issues involving potential conflict of interests, all independent non-executive directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

Board Meeting

During the Reporting Period, the Board has convened four meetings to discuss and approve the overall strategies and policies of the Company, review and approve the unaudited interim results of the Group for the six months ended 30 June 2014, discuss on the reporting and proposals of all Board committees, approve the appointment of Mr. Xia Kun as an executive director, review whether the Company's continuing connected transactions for the year 2014 exceeded the annual cap set, and review the internal control of the Group.

The attendance record of each director of the Company at the Board meetings during the Reporting Period are set out below:

Name of Directors	Attendance/ No. of meetings held	Attendance rate (%)
Executive Directors:		
Mr. Wu Tak Lam	4/4	100%
Ms. Chiu Man	4/4	100%
Mr. Jia Ruobing	4/4	100%
Mr. Xia Kun *(Note 1)*	1/1	100%
Ms. You Jia *(Note 2)*	2/3	67%
Non-executive Director:		
Mr. Zhu Wei	4/4	100%
Independent Non-executive Directors:		
Mr. Liu Jie	3/4	75%
Mr. Yu Yuanbo	4/4	100%
Mr. Fu Johnson Chi-King	4/4	100%

Notes:

1. Mr. Xia Kun was appointed as an executive director of the Company on 20 November 2014. One Board meeting was held from his date of appointment to 31 December 2014.

2. Ms. You Jia resigned as an executive director of the Company on 20 November 2014. Three Board meetings were held from the Listing Date to the date of her resignation,.

The Company has adopted the provisions of the CG Code to issue meeting notice of at least 14 days before convening a regular Board meeting and a reasonable notice for other Board meetings so that all directors can have sufficient time and plan to attend the meeting. All meeting papers will be sent to all directors no less than three days before a meeting is convened. Matters discussed and resolved at Board meetings will be recorded in detail and a summary of minutes will be made, and resolutions will also be filed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association contain provisions on the procedures and process of appointment and removal of directors.

According to the Company's Articles of Association, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Each director, including the independent non-executive directors, is engaged for a term of three years/no more than three years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Company's Articles of Association provisions as mentioned above.

At the forthcoming annual general meeting of the Company ("**2015 AGM**"), all directors shall retire in the 2015 AGM pursuant to the provisions of the Articles of Association stated in the foregoing paragraphs and the willingness of the directors. All retiring directors are eligible and willing to be re-elected at the 2015 AGM. The Board and the Nomination Committee of the Company have made recommendations for their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the aforesaid retiring directors as required by the Listing Rules.

TRAINING FOR DIRECTORS

Each newly appointed director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is adequately aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged by the Company whenever necessary. To ensure all directors' continuous contribution to the Board with comprehensive and relevant information as well as the development and the update of knowledge and skills of all directors, the Company would arrange trainings and provides relevant fees.

Training records for the directors of the Company during the Reporting Period are as follows:

— All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Mr. Jia Ruobing, Mr. Xia Kun, Mr. Zhu Wei, Mr. Liu Jie, Mr. Yu Yuanbo, Mr. Fu Johnson Chi-King and Ms. You Jia) received regular briefings and updates from the senior management on the Group's business, operations and corporate governance matters.

— All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Mr. Jia Ruobing, Mr. Xia Kun, Mr. Zhu Wei, Mr. Liu Jie, Mr. Yu Yuanbo, Mr. Fu Johnson Chi-King and Ms. You Jia) read technical bulletins, periodicals and other publications on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2014. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' LIABILITY INSURANCE

The Company has purchased liability insurance for all directors.

POLICY ON DIVERSIFICATION OF THE BOARD

The Company believes that the diversification of the Board is beneficial for enhancing the performance of the Company. The Company established the Board Diversity Policy, to ensure in setting the composition of the Board, the Company will consider the diversification of members of the Board from various aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates. The candidates of the Board are selected based on diversification, including but not limited to age, cultural and educational background, professional experience, skills and knowledge.

The Nomination Committee of the Company will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the policy. The Nomination Committee will review the policy when appropriate to ensure the effectiveness of the policy. The Nomination Committee will discuss any amendment that may need to make and make recommendations to the Board for approval.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wu Tak Lam is the chairman of the Board, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of the Group and he participated in the Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole. He holds at least one meeting with the non-executive directors (including independent non-executive directors) without the executive directors present annually.

Ms. Chiu Man is the vice-chairman and the chief executive officer, who performs the functions of the chief executive officer and is responsible for overseeing our operations and investment, managing our relationship with automobile manufacturers and exploring new business opportunities for the Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the chairman co-ordinate with the senior management to provide adequate, complete and reliable information to all directors for consideration and review.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has met the requirements of the Listing Rules relating to the appointment of a minimum of three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Currently, the Company has appointed three independent non-executive directors, namely Mr. Liu Jie, Mr. Yu Yuanbo and Mr. Fu Johnson Chi-King.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All of these three committees are established with defined written terms of reference which are available at the websites of the Stock Exchange and the Company. All Board committees must report to the Board on their decisions or proposals.

AUDIT COMMITTEE

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of the three independent non-executive directors, namely Mr. Liu Jie (Chairman of the committee), Mr. Yu Yuanbo and Mr. Fu Johnson Chi-King. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The attendance record of each committee member at the Audit Committee meetings held during the Reporting Period are set out below:

Members of the Audit Committee	Attendance/ No. of meetings held	Attendance rate (%)
Mr. Liu Jie	2/2	100%
Mr. Yu Yuanbo	2/2	100%
Mr. Fu Johnson Chi-King	2/2	100%

During the Reporting Period, the Audit Committee has performed the following major duties:

— Consideration and discussion of the interim financial statements, results announcement, interim report, and relevant accounting principles and practices adopted by the Group for the six months ended 30 June 2014;

— Review of the Group's continuing connected transaction;

— Review and inspection of the performance and effectiveness of internal control; and

— Consideration of the annual audit plan, which included the nature and scope of audit, auditors' remuneration, reporting obligations and working plans.

The external auditor has attended all the above-mentioned meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the Audit Committee regarding the engagement of external auditor.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee and formulated its written terms of reference in Accordance with Rule 3.25 of the Listing Rules and the CG Code set forth in Appendix 14 to the Listing Rules. The Remuneration Committee comprises of the three independent non-executive directors: Mr. Yu Yuanbo (Chairman of the committee), Mr. Liu Jie and Mr. Fu Johnson Chi-King. Major duties of the Remuneration Committee are to evaluate the remuneration policies for the directors and senior management of the Group as well as to make recommendations to the Board.

The attendance record of each member at the Remuneration Committee meetings held during the Reporting Period are set out below:

Members of the Remuneration Committee	Attendance/ No. of meeting held	Attendance rate (%)
Mr. Liu Jie	1/1	100%
Mr. Yu Yuanbo	1/1	100%
Mr. Fu Johnson Chi-King	1/1	100%

During the Reporting Period, the Remuneration Committee has performed the following major works:

— Consideration and recommendation of the remuneration packages for Mr. Xia Kun as the executive director; and

— General review and discussion on the remuneration packages and benefits policies for the directors and senior management of the Group.

Pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands (RMB)	Number of individuals
500,000-750,000	2
750,001-1,000,000	1

Details of the remuneration of all directors of the Company for the year ended 31 December 2014 are set out in Note 8 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

We have established the Nomination Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of the Chairman of the Board and the three independent non-executive directors, namely Mr. Wu Tak Lam (Chairman of the committee), Mr. Liu Jie, Mr. Yu Yuanbo and Mr. Fu Johnson Chi-King. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors, to oversee the process for evaluating the performance of the Board, and to develop, recommend to the Board and monitor nomination guidelines for the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, professional knowledge of the candidate and the amount of time and efforts that the candidate will devote to discharging his/her duties and responsibilities. External professionals might be engaged to carry out selection process when necessary.

The attendance record of each member at the Nomination Committee meetings held during the Reporting Period are set out below:

Members of the Nomination Committee	Attendance/ No. of meeting held	Attendance rate (%)
Mr. Wu Tak Lam	1/1	100%
Mr. Liu Jie	1/1	100%
Mr. Yu Yuanbo	1/1	100%
Mr. Fu Johnson Chi-King	1/1	100%

During the Reporting Period, the Nomination Committee has performed the following major works:

— Review of the structure, size and composition of the Board; and

— Consideration and recommendation to the Board on the appointment of Mr. Xia Kun as the executive director of the Company.

MODEL CODE ON SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the directors' dealings in the Company's securities. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

TRAINING FOR COMPANY SECRETARY

The company secretary of the Company is Ms. So Yee Kwan from Tricor Services Limited, who has met the qualifications as stated in the Listing Rules. The biography of Ms. So is set out in the section headed "Biographies of Directors, Senior Management and Secretary" of this annual report. The major contact persons of Ms. So Yee Kwan in the Company are Ms. Chiu Man and/or Mr. Wang Taisong.

During the year ended 31 December 2014, Ms. So Yee Kwan has received relevant professional training of no less than 15 hours.

EXTERNAL AUDITOR AND AUDITOR REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 59 and 60. The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, and auditor's independence.

The fees paid/payable to Ernst & Young, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2014 are analysed below:

Types of service provided by the external auditor	Fees paid/payable RMB
Audit services – audit fee for the year ended 31 December 2014	2,100,000
Non-audit services	–
Total:	2,100,000

INTERNAL CONTROL

During the Reporting Period, the Board has reviewed the effectiveness of the internal control system of the Company. The review covered the financial, operational, compliance and risk management aspects of the Group. The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and Company's assets, and reviewing the effectiveness of such system on an annual basis through the Audit Committee of the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company attaches great importance to the communication with shareholders and promotes understanding and communication with shareholders through various channels, such as general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The general meetings of the Company are expected to provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as Chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and, in their absence, other members of the respective committees and, where applicable, the chairman of the Independent Board Committee, are available to answer questions at general meetings.

To promote effective communication, the Company maintains a website at www.sunfonda.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

During routine operations, the Company also strives to receive visits from shareholders and investors, and arrange visits for them. The management of the Company will also communicate in person with investors and analysts outside office. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will respond to all enquiries on a timely and proper basis.

Any shareholding enquiries, including transfer of shares, change of address, report of lost share certificates or dividend warrants, can be directed to Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar:

Address:	Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Contact:	(852) 2862-8628
Fax:	(852) 2865-0990, (852) 2529-6087
Website:	www.computershare.com.hk

RIGHTS OF SHAREHOLDERS

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Company's material developments to shareholders and investors. The annual general meetings of the Company provide a forum for communication between shareholders and the Board. During the Reporting Period, the Company did not convene any general meeting.

To safeguard shareholders' interests and rights, separate resolutions on each substantial issue, including the election of individual directors, are proposed at general meetings for shareholders' consideration and voting. Shareholders of the Company could convene extraordinary general meetings or propose resolutions at general meetings as follows:

(1) Pursuant to Article 12.3 of the Articles of Association of the Company, shareholders holding no less than one-tenth of the paid up capital of the Company as at the date of lodgement of the requisition may lodge a written requisition to the Board or Company Secretary at the head office/principal place of business in Hong Kong of the Company to request the Board to convene an extraordinary general meeting. The written requisition must state the purposes of the meeting.

(2) If a shareholder wishes to propose a person other than a retiring director for election as a director at the general meeting, pursuant to Article 16.4 of the Articles of Association of the Company, the shareholder (other than the person to be proposed) eligible for attending and voting at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong to the Company Secretary. The period for lodgement of such proposal notices shall be 7 days from the day after the despatch of the notice of such general meeting (or such other period being a period commencing on the day after the despatch of the notice of such general meeting as determined by the Board from time to time) and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, the shareholder must provide his/her full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of the shareholder may be disclosed as required by law.

During the Reporting Period, the Company's constitutional documents have no material changes. The latest version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. For more details of rights of shareholders, shareholders may refer to the Articles of Association of the Company.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange and the Company after each general meeting.

The directors are pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Group is the second largest luxury and ultra-luxury automobile dealership group in Northwestern China. The comprehensive automobile sales and services offered by the Group include:

(i) sale of automobiles, both imported and domestically manufactured;

(ii) after-sales services, including:

  a. maintenance and repair services;

  b. sales of spare parts; and

  c. automobile detailing services; and

(iii) other value-added services, including:

  a. automobile insurance agency services;

  b. automobile financing services;

  c. automobile licensing services; and

  d. automobile survey services.

There was no significant change in the nature of the principal businesses of the Group during the year.

RESULTS

The Group's profits for the year ended 31 December 2014 and the financial position of the Company and the Group as at that date are set out in the Financial Statements on pages 61 to 64 and page 68 of this annual report.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the year are set out in Note 14 to the Financial Statements.

SHARE CAPITAL

As of the date of this report, the authorised share capital of the Company was US$100,000, divided into 1,000,000,000 shares of a par value of US$0.0001 each. Details of changes in the share capital of the Company during the year are set out in Note 30 to the Financial Statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the year are set out in Note 32 to the Financial Statements and in the consolidated statement of changes in equity, respectively. Of which, details of reserves available for distribution to shareholders are set out in Note 32 to the Financial Statements.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in Note 42 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the distributable reserves of the Company available for distribution, calculated based on the Companies Law of Cayman Islands, amounted to RMB376.9 million in aggregate. Of which, RMB30 million was recommended to be distributed as final dividends for the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

USE OF PROCEEDS

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

MAJOR CUSTOMERS AND SUPPLIERS

Transaction amounts with our five largest customers for 2014 accounted for less than 30% of the operating income of the Company for 2014. None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year.

Transaction amounts with our five largest suppliers and our largest supplier for 2014 accounted for 98.3% and 38.9% of the operating costs of the Company for 2014.

During the year under review, so far as the directors are aware, none of the directors, their close associates or the shareholders of the Company (which to the knowledge of the directors owned more than 5% of share capital of the Company) had any interest in the five largest suppliers or customers of the Company.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2014 are set out in Note 25 to the Financial Statements.

DIRECTORS

The directors of the Company during the year and as at the date of this report were:

Executive Directors

Mr. Wu Tak Lam
Ms. Chiu Man
Mr. Jia Ruobing
Mr. Xia Kun *(appointed on 20 November 2014)*
Ms. You Jia *(resigned on 20 November 2014)*

Non-executive Director

Mr. Zhu Wei

Independent Non-executive Directors

Mr. Liu Jie
Mr. Yu Yuanbo
Mr. Fu Johnson Chi-King *(appointed on 18 January 2014)*

In accordance with the Articles of Association of the Company and the intention of directors, all directors will retire at the 2015 AGM and, being eligible, will offer themselves for re-election at the 2015 AGM.

Biographies of the Directors and the senior management

Biographical details of the directors and the senior management are set out on pages 27 to 32 of this annual report.

Directors' service contracts

The Company has entered into a service contract with each of the director, the major particulars of which are as follows: (1) Except for Mr. Xia Kun, the service contracts entered into between other directors and the Company are for a term of three years starting from 15 May 2014, and the service contract entered into between Mr. Xia Kun and the Company is from 20 November 2014 to 14 May 2017; and (2) being terminable in accordance with the respective terms of the contracts.

Save as disclosed above, none of the directors who are proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Details of remuneration of the directors and the senior management of the Company are set out in Note 8 to the Financial Statements.

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of the five highest paid individuals of the Company are set out in Note 9 to the Financial Statements.

PENSION SCHEME

Details of pension scheme of the Company are set out in Note 28 to the Financial Statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company or its subsidiaries was a party, whether directly or indirectly, and in which a director had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2014, none of the directors nor their associates has competing interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

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

As at 31 December 2014, the interests of the directors of the Company in the shares of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")): (a) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) which were recorded in the register required to be kept pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1	360,000,000	60.00%
Ms. Chiu Man	Interest held by controlled corporations	1	360,000,000	60.00%
Mr. Jia Ruobing	Beneficiary of a trust	2	200,000	0.03%
Mr. Xia Kun	Beneficiary of a trust	3	100,000	0.02%

Notes:

(1) These shares are held as to 351,000,000 shares by Top Wheel and 9,000,000 shares by Westernrobust Company Limited ("**Westernrobust**").

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

The entire issued share capital of Westernrobust is owned by a revocable discretionary trust (the "**Management Trust**") established for the purposes of recognizing and rewarding the contribution and performance of certain directors and senior management of the Group pursuant to the Pre-IPO Share Award Scheme adopted by the Company on 8 January 2014 (the "**Pre-IPO Share Award Scheme**"). Top Wheel is the settlor of the Management Trust and possesses all voting rights attached to the unawarded shares and awarded shares which have not vested under the Management Trust. Thus, the Management Trust and Top Wheel are deemed to be interested in the 9,000,000 shares held by Westernrobust. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are also deemed to be interested in the 9,000,000 shares of the Company held by Westernrobust pursuant to Part XV of the SFO.

(2) Mr. Jia Ruobing is deemed to be interested in these 200,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

(3) Mr. Xia Kun is deemed to be interested in these 100,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2014.

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

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

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 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the directors and chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year and up to the date of this annual report was the Company or any of its subsidiaries or holding companies or any subsidiaries of holding companies of the Company a party to any arrangements to enable directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, and none of the directors or their spouse or children under the age of 18, had been granted any right to subscribe for share capital or debentures of the Company or any other body corporate, or had exercised any such right.

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

As at 31 December 2014, the following corporations had interests of 5% or more of the issued share capital of the Company which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary share of the Company

Name of shareholder	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Top Wheel Limited	Beneficial owner	1	351,000,000	58.50%
	Founder of a discretionary trust	1	9,000,000	1.50%
			360,000,000	60.00%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	360,000,000	60.00%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	360,000,000	60.00%
Standard Chartered PLC	Interest held by controlled corporations	2	90,000,000	15.00%

Notes:

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

(2) Standard Chartered PLC, a bank listed on the stock exchanges of London, Hong Kong and India, indirectly wholly owned Standard Chartered Private Equity (Mauritius) III Limited through a series of wholly owned subsidiaries, including Standard Chartered Holdings Limited, Standard Chartered Bank, SCMB Overseas Limited, Standard Chartered Holdings (International) B.V., Standard Chartered M.B. Holdings B.V., Standard Chartered Asia Limited and Standard Chartered Private Equity Limited, and is therefore deemed to be interested in the shares of the Company held by Standard Chartered Private Equity (Mauritius) III Limited.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, no person, other than the directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

During the year ended 31 December 2014, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

SHARE OPTION SCHEME

The Share Option Scheme (as defined in the Prospectus) was conditionally adopted pursuant to a resolution of the shareholders of the Company on 18 January 2014 (the "**Adoption Date**") and became effective from 15 May 2014 when dealings in the shares of the Company on the Stock Exchange commenced and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The purpose of the Share Option Scheme is to recognize and acknowledge the contributions made by the qualified participants, to attract skilled and experienced personnel, to incentivize them to remain with the Company and to motivate them to strive for the future development and expansion of the Company and its subsidiaries, by providing them with the opportunity to acquire equity interest in the Company.

Qualified participants of the Share Option Scheme include the Company's directors (including non-executive directors and independent non-executive directors), employees (whether full-time or part-time) of the Group or any entity in which the Company or the Company's subsidiary holds any equity interest (the "**Invested Equity**"), any such other persons (including but not limited to suppliers, customers, consultants, contractors, advisers, business partners or service providers of the Group or the Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to the Group.

The maximum number of shares issuable under share options granted to each qualified participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

A grant of share options under the Share Option Scheme to a connected person, a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted, to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the Share Option Scheme may be accepted within 5 business days from the date of offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the share options shall be the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer of the share options.

Details of the Share Option Scheme were disclosed in the Prospectus and Note 31(b) to the Financial Statements. The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 60,000,000, representing 10% of the shares of the Company in issue as at the Listing Date and the date of approval of this report. No options have been granted under the Share Option Scheme since its adoption.

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme (as defined in the Prospectus) was adopted by the Company on 8 January 2014. For the implementation of the Pre-IPO Share Award Scheme, the Management Trust (as defined in the Prospectus) was established on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. The Management Trust holds 9,000,000 shares in the Company pursuant to the Pre-IPO Share Award Scheme. As at 31 December 2014, the Company has granted an aggregate of 2,520,000 shares to grantees in accordance with Share Award Scheme. Details of the Pre-IPO Share Award Scheme were disclosed in the Prospectus and Note 31(a) to the Financial Statements.

MATERIAL CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies or any of subsidiaries or fellow subsidiaries were a party during the year ended 31 December 2014 and up to the date of this annual report.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 28 to the Financial Statements.

CORPORATE GOVERNANCE

Please refer to the Corporate Governance Report on pages 33 to 45 of this annual report for details.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, not less than 25% of the Company's issued shares were in the hands of the public from the Listing Date to the date of this report, which complied with the public float requirements under the Listing Rules.

MATERIAL LITIGATION

From the Listing Date to 31 December 2014, 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.

AUDIT COMMITTEE

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

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2014 and up to the date of this annual report, the controlling shareholders of the Company, namely Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed Enterprises Limited, Win Force Enterprises Limited, Top Wheel Limited, collectively referred to as the "**Controlling Shareholders**", have no interests in any business which competes with or is likely to compete with businesses of the Group.

The Group has obtained the annual confirmations from the Controlling Shareholders in respect of their compliance with the Deed of Non-competition (the "**Deed of Non-Competition**") entered into between the Controlling Shareholders and the Company.

Based on the information provided by or obtained from the Controlling Shareholders, the independent non-executive directors confirmed that they had reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 December 2014 and up to the date of this annual report, and believed that the Controlling Shareholders had fully complied with the Deed of Non-Competition.

CONNECTED TRANSACTIONS

Among the connected party transactions disclosed in Note 39 to the Financial Statements, the following transaction constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is required to be disclosed in this annual report in accordance with the requirements set out in Chapter 14A of the Listing Rules. Please see the below information to be disclosed in compliance with Chapter 14A of the Listing Rules.

On 24 February 2014, Shaanxi Sunfonda Automobile Technology Development Co., Ltd. ("**Shaanxi Sunfonda Technology**"), a subsidiary of the Company, entered into an automobile sales and purchase agreement ("**Automobile Sales and Purchase Agreement**") with Yangzhou Sunfonda Automobile Co., Ltd. ("**Yangzhou Sunfonda**"), pursuant to which Yangzhou Sunfonda agreed to purchase Volkswagen Imported automobiles from Shaanxi Sunfonda Technology. Pursuant to the Automobile Sales and Purchase Agreement, Yangzhou Sunfonda purchased Volkswagen Imported automobiles from us at the unit price equivalent to our purchase price, which is in compliance with our pricing policy for our wholesale business with other independent automobile dealers.

Yangzhou Sunfonda is wholly-owned by Mr. Zhao Yijian, who is the brother-in-law and the brother of Mr. Wu Tak Lam and Ms. Chiu Man respectively (directors of the Company), hence Mr. Zhao and Yangzhou Sunfonda are connected persons of the Company. As a result, transactions conducted under the Automobile Sales and Purchase Agreement constitutes continuing connected transactions in accordance with Chapter 14A of the Listing Rules. The Automobile Sales and Purchase Agreement will expire on 15 May 2017. For more information, please see the "Connected Transaction" section set out in the Prospectus.

The annual sales cap under the Automobile Sales and Purchase Agreement was RMB61 million and 110 units for the year ended 31 December 2014. For the year ended 31 December 2014, Shaanxi Sunfonda Technology has sold 83 units with an aggregate amount of sales of approximately RMB42.6 million to Yangzhou Sunfonda, which was within the above-mentioned annual sales cap. For more information, please see Note 39 to the Financial Statements.

Independent non-executive directors have confirmed that the above continuing connected transaction was entered into by the Company: (i) in the ordinary course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with relevant governance agreement (including the pricing principle and guidelines set out therein) and on terms that were fair and reasonable and in the interest of the Company and the shareholders as a whole.

AUDITORS

The consolidated financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company to be held in 2015. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming AGM of the Company.

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

Hong Kong, 27 March 2015

To the shareholders of Sunfonda Group Holdings Limited

(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of Sunfonda Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2015

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5(a)	**7,879,528**	7,432,699
Cost of sales and services	6(b)	**(7,272,444)**	(6,787,872)
Gross profit		**607,084**	644,827
Other income and gains, net	5(b)	**201,468**	93,901
Selling and distribution expenses		**(249,460)**	(213,292)
Administrative expenses		**(186,624)**	(152,270)
Profit from operations		**372,468**	373,166
Finance costs	7	**(138,642)**	(124,584)
Profit before tax	6	**233,826**	248,582
Income tax expense	10	**(61,096)**	(62,969)
Profit for the year		**172,730**	185,613
Attributable to:			
Owners of the parent	11	**172,370**	185,636
Non-controlling interests		**360**	(23)
		172,730	185,613
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic and diluted (RMB)		**0.32**	0.41

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Profit for the year		**172,730**	185,613
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,025)**	1,441
Other comprehensive income for the year, net of tax		**(5,025)**	1,441
Total comprehensive income for the year		**167,705**	187,054
Attributable to:			
Owners of the parent	11	**167,345**	187,077
Non-controlling interests		**360**	(23)
		167,705	187,054

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**887,863**	694,976
Land use rights	15	**201,196**	407,814
Intangible assets	16	**4,097**	4,239
Prepayments	17	**121,305**	132,841
Deferred tax assets	29	**14,691**	16,816
Total non-current assets		**1,229,152**	1,256,686
CURRENT ASSETS			
Inventories	18	**1,083,657**	730,594
Trade receivables	19	**41,854**	50,841
Prepayments, deposits and other receivables	20	**601,558**	565,303
Amount due from a related party	39(b)(i)	**16,430**	6,371
Available-for-sale investments	21	**20,000**	–
Pledged bank deposits	22	**316,090**	292,209
Cash in transit	23	**35,472**	33,240
Cash and cash equivalents	24	**886,966**	451,930
Total current assets		**3,002,027**	2,130,488
CURRENT LIABILITIES			
Bank loans and other borrowings	25	**1,751,843**	1,523,674
Trade and bills payables	26	**518,445**	444,792
Other payables and accruals	27	**259,357**	190,355
Amounts due to related parties	39(b)(ii)	**–**	7,684
Income tax payable		**33,267**	39,400
Total current liabilities		**2,562,912**	2,205,905
NET CURRENT ASSETS/(LIABILITIES)		**439,115**	(75,417)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,668,267**	1,181,269

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	25	**86,000**	145,188
NET ASSETS		**1,582,267**	1,036,081
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**377**	285
Reserves	32	**1,546,734**	1,030,819
Proposed final dividend	12	**29,819**	–
		1,576,930	1,031,104
Non-controlling interests		**5,337**	4,977
Total equity		**1,582,267**	1,036,081

Director: **Wu Tak Lam** *Director:* **Chiu Man**

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000*	Capital reserve RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Share award reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	285	-	125,420	51,664	157,947	-	9,791	685,997	-	1,031,104	4,977	1,036,081
Profit for the year	-	-	-	-	-	-	-	172,370	-	172,370	360	172,730
Other comprehensive income for the year: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(5,025)	-	-	(5,025)	-	(5,025)
Total comprehensive income for the year	-	-	-	-	-	-	(5,025)	172,370	-	167,345	360	167,705
Transfer from retained profits	-	-	-	3,857	-	-	-	(3,857)	-	-	-	-
Issue of shares (note 30)	92	376,877	-	-	-	-	-	-	-	376,969	-	376,969
Proposed final 2014 dividend (note 12)	-	(29,819)	-	-	-	-	-	-	29,819	-	-	-
Equity-settled share award expense (note 31)	-	-	-	-	-	1,512	-	-	-	1,512	-	1,512
At 31 December 2014	377	347,058	125,420	55,521	157,947	1,512	4,766	854,510	29,819	1,576,930	5,337	1,582,267

	Attributable to owners of the parent								
	Share capital RMB'000	Capital reserve RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	285	125,420	41,033	157,947	8,350	510,992	844,027	–	844,027
Profit for the year	–	–	–	–	–	185,636	185,636	(23)	185,613
Other comprehensive income for the year: Exchange differences on translation of foreign operations	–	–	–	–	1,441	–	1,441	–	1,441
Total comprehensive income for the year	–	–	–	–	1,441	185,636	187,077	(23)	187,054
Disposal of interests in a subsidiary	–	–	–	–	–	–	–	3,000	3,000
Non-controlling interests arising from establishing a new subsidiary	–	–	–	–	–	–	–	2,000	2,000
Transfer from retained profits	–	–	10,631	–	–	(10,631)	–	–	–
At 31 December 2013	285	125,420	51,664	157,947	9,791	685,997	1,031,104	4,977	1,036,081

* These reserve accounts comprise the consolidated reserves of RMB1,546,734,000 (2013: RMB1,030,819,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before tax		**233,826**	248,582
Adjustments for:			
Depreciation of property, plant and equipment	14	**94,993**	72,989
Amortisation of land use rights	15	**7,724**	9,168
Amortisation of intangible assets	16	**639**	577
Interest income	5(b)	**(7,164)**	(3,260)
Net loss on disposal of property, plant and equipment	5(b)	**13,896**	2,040
Write down of inventories to net realizable value		**430**	–
Equity-settled share award expense	6(a)	**1,512**	–
Income recognized for long-aged advance from customers	5(b)	**(9,311)**	–
Finance costs	7	**138,642**	124,584
Gain on disposal of a subsidiary	33	**(70,448)**	(4,704)
		404,739	449,976
(Increase)/decrease in pledged bank deposits		**(23,881)**	108,785
Increase in cash in transit		**(2,232)**	(14,696)
Decrease/(increase) in trade receivables		**8,987**	(4,500)
(Increase)/decrease in prepayments, deposits and other receivables		**(38,619)**	54,929
(Increase)/decrease in amount due from a related party		**(10,059)**	2,129
(Increase)/decrease in inventories		**(353,493)**	5,191
Increase/(decrease) in trade and bills payables		**73,653**	(117,418)
Increase/(decrease) in other payables and accruals		**84,471**	(20,243)
Cash generated from operations		**143,566**	464,153
Tax paid		**(66,963)**	(60,998)
Net cash generated from operating activities		**76,603**	403,155

	Notes	2014 RMB'000	2013 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(431,454)**	(353,560)
Proceeds from disposal of property, plant and equipment		**104,810**	118,348
Purchase of land use rights		**(643)**	(148,278)
Receipt of prepayment for land use rights		**10,000**	–
Purchase of intangible assets		**(497)**	(328)
Purchase of available-for-sale investments		**(20,000)**	–
Interest received		**7,164**	3,260
Disposal of a subsidiary	33	**74,689**	22,834
Receipt of amount due to the disposed subsidiary	33	**228,810**	–
Net cash used in investing activities		**(27,121)**	(357,724)
Financing activities			
Proceeds from bank loans and other borrowings		**4,636,091**	4,113,195
Repayment of bank loans and other borrowings		**(4,467,110)**	(3,912,959)
Proceeds from issue of shares		**430,600**	–
Share issue expense		**(53,631)**	–
Contributions from a non-controlling shareholder		**–**	2,000
Advances from the Controlling Shareholders		**–**	945
Repayment of amounts due to the Controlling Shareholders		**(10,329)**	–
Advances from a related party		**–**	3,800
Interest paid		**(147,687)**	(128,123)
Net cash generated from financing activities		**387,934**	78,858
Net increase in cash and cash equivalents		**437,416**	124,289
Cash and cash equivalents at the beginning of year		**451,930**	328,741
Effect of foreign exchange rate changes, net		**(2,380)**	(1,100)
Cash and cash equivalents at the end of year		**886,966**	451,930

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	41	**307,579**	312,040
Total non-current assets		**307,579**	312,040
CURRENT ASSETS			
Cash and cash equivalents	24	**379,098**	175
Total current assets		**379,098**	175
CURRENT LIABILITIES			
Other payables and accruals	27	**1,788**	–
Total current liabilities		**1,788**	–
NET CURRENT ASSETS		**377,310**	175
TOTAL ASSETS LESS CURRENT LIABILITIES		**684,889**	312,215
NET ASSETS		**684,889**	312,215
EQUITY			
Share capital	30	**377**	285
Reserves	32(iv)	**654,693**	311,930
Proposed final dividend	12	**29,819**	–
Total equity		**684,889**	312,215

Director: **Wu Tak Lam**

Director: **Chiu Man**

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

1 Effective from 1 July 2014

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

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

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

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

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

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

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

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

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

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

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

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

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

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

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	20 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Plant and machinery	5-10 years	5%
Furniture and fixtures	3-5 years	5%
Motor vehicles	4-5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The principal estimated useful lives of intangible assets are as follows:

Software	5 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the consideration paid for such a right is recorded as land use rights, which are amortised over the lease terms of 40 to 70 years using the straight-line method.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets mainly include cash and cash equivalents, cash in transit, pledged bank deposits, amount due from a related party and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in administrative expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and bills payables, other payables, amounts due to related parties and bank loans and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services are fully rendered and accepted by customers;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. Further details of the fair value are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 7.2% has been applied to the expenditure on the individual assets during the year ended 31 December 2014 (2013: 7.6%).

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB14,691,000 as at 31 December 2014 (2013: RMB16,816,000). The amount of unrecognised tax losses at 31 December 2014 was RMB50,836,000 (2013: Nil). Further details are contained in note 29 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets other than indefinite life and goodwill are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical areas

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

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

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

(b) Other income and gains, net:

	2014 RMB'000	2013 RMB'000
Commission income	**87,348**	62,922
Service income	**21,219**	20,937
Interest income	**7,164**	3,260
Advertisement support received from motor vehicle manufacturers	**15,000**	–
Net loss on disposal of property, plant and equipment	**(13,896)**	(2,040)
Write back of long-aged advance from customers	**9,311**	–
Gain on disposal of a subsidiary (note 33(a))	**70,448**	4,704
Others	**4,874**	4,118
	201,468	93,901

6. PROFIT BEFORE TAX

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

(a) Employee benefit expense (including directors' and chief executive's remuneration (note 8))

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

(b) Cost of sales and services

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

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

(c) Other items

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

7. FINANCE COSTS

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December 2014					
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Performance-related bonuses RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
-Mr. Wu Tak Lam	–	189	–	–	10	199
-Ms. Chiu Man(i)	–	189	–	–	10	199
-Mr. Xia Kun(ii)	–	540	–	84	29	653
-Ms. You Jia(iii)	–	495	–	–	27	522
-Mr. Jia Ruobing	–	858	–	168	34	1,060
	–	2,271	–	252	110	2,633
Non-executive director:						
-Mr. Zhu Wei	–	–	–	–	–	–
Independent non-executive directors:						
-Mr. Liu Jie	200	–	–	–	–	200
-Mr. Yu Yuanbo	200	–	–	–	–	200
-Mr. Fu Johnson Chi-King(iv)	221	–	–	–	–	221
	621	–	–	–	–	621
	621	2,271	–	252	110	3,254

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

	Year ended 31 December 2013					
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Performance-related bonuses RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
-Mr. Wu Tak Lam	–	194	–	–	10	204
-Ms. Chiu Man[(i)]	–	194	–	–	10	204
-Ms. You Jia[(iii)]	–	502	–	–	23	525
-Mr. Jia Ruobing	–	813	–	–	34	847
	–	1,703	–	–	77	1,780
Non-executive director:						
-Mr. Zhu Wei	–	–	–	–	–	–
Independent non-executive directors:						
-Mr. Liu Jie	–	–	–	–	–	–
-Mr. Yu Yuanbo	–	–	–	–	–	–
	–	1,703	–	–	77	1,780

(i) The Group and the Company's chief executive is Ms. Chiu Man, who is also an executive director of the Group and the Company.

(ii) Mr. Xia Kun was appointed as an executive director with effect from November 20, 2014.

(iii) Ms. You Jia resigned from her position as an executive director of the Company with effect from November 20, 2014.

(iv) Mr. Fu Johnson Chi-King was appointed as an independent non-executive director with effect from January 18, 2014.

During the year, certain directors were granted share awards, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of these share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

No emoluments were paid to the non-executive director of the Company during the year (2013: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included two directors for the year (2013: two), details of whose remuneration are detailed in note 8 above. Details of the remuneration of the remaining non-director and non-chief executive, highest paid employees for the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**1,907**	1,855
Equity-settled share award expense	**221**	–
Pension scheme contributions	**78**	71
	2,206	1,926

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2014	2013
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
	3	3

During the year, share awards were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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

	2014 RMB'000	2013 RMB'000
Current Mainland China corporate income tax	**60,830**	65,554
Deferred tax (note 29)	**266**	(2,585)
	61,096	62,969

10. INCOME TAX *(continued)*

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

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

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

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

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

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

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**233,826**	248,582
Tax at the applicable tax rate (25%)	**58,456**	62,146
Different tax rate for a subsidiary in Hong Kong	**(11,113)**	37
Tax effect of non-deductible expenses	**1,044**	1,889
Income not subject to tax	**–**	(1,176)
Tax losses not recognised	**12,709**	73
Tax charge	**61,096**	62,969

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB1,735,000 (2013: a loss of RMB1,969,000) which has been dealt with in the financial statements of the Company (note 32 (iv)).

12. DIVIDENDS

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

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

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

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

As stated in Note 30, the Company's ordinary shares were repurchased, issued and divided on 8 January 2014. The ordinary shares of the Company before listing were 450,000,000 shares of a par value of US$0.0001 each. The weighted average number of ordinary shares used to calculate the basic earnings per share in the year ended 31 December 2013 and the period since 1 January 2014 to 7 January 2014 were 450,000,000, which were deemed to have been issued throughout the period.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014							
At 31 December 2013 and at 1 January 2014:							
Cost	**447,259**	**39,604**	**67,063**	**59,741**	**167,418**	**69,919**	**851,004**
Accumulated depreciation	**(56,854)**	**(2,961)**	**(32,147)**	**(29,667)**	**(34,399)**	**–**	**(156,028)**
Net carrying amount	**390,405**	**36,643**	**34,916**	**30,074**	**133,019**	**69,919**	**694,976**
At 1 January 2014, net of accumulated depreciation	**390,405**	**36,643**	**34,916**	**30,074**	**133,019**	**69,919**	**694,976**
Additions	**15,086**	**18,961**	**33,215**	**14,098**	**188,184**	**150,158**	**419,702**
Disposals	**(1,739)**	**(452)**	**(110)**	**(7,032)**	**(98,702)**	**(10,671)**	**(118,706)**
Disposal of a subsidiary (note 33(a))	**–**	**–**	**–**	**–**	**–**	**(13,116)**	**(13,116)**
Depreciation provided during the year	**(22,812)**	**(7,810)**	**(8,381)**	**(7,717)**	**(48,273)**	**–**	**(94,993)**
Transfer	**87,611**	**10,885**	**1,593**	**1,792**	**–**	**(101,881)**	**–**
At 31 December 2014, net of accumulated depreciation	**468,551**	**58,227**	**61,233**	**31,215**	**174,228**	**94,409**	**887,863**
At 31 December 2014:							
Cost	**544,788**	**68,007**	**101,741**	**68,570**	**223,458**	**94,409**	**1,100,973**
Accumulated depreciation	**(76,237)**	**(9,780)**	**(40,508)**	**(37,355)**	**(49,230)**	**–**	**(213,110)**
Net carrying amount	**468,551**	**58,227**	**61,233**	**31,215**	**174,228**	**94,409**	**887,863**
31 December 2013							
At 31 December 2012 and at 1 January 2013:							
Cost	365,188	12,137	65,843	44,713	180,828	29,206	697,915
Accumulated depreciation	(41,005)	(1,643)	(26,554)	(23,931)	(34,148)	–	(127,281)
Net carrying amount	324,183	10,494	39,289	20,782	146,680	29,206	570,634
At 1 January 2013, net of accumulated depreciation	324,183	10,494	39,289	20,782	146,680	29,206	570,634
Additions	33,541	33,499	5,345	18,530	154,995	104,743	350,653
Disposals	–	–	–	(2,212)	(118,176)	–	(120,388)
Disposal of a subsidiary (note 33(b))	(15,193)	(5,571)	(3,377)	(793)	(8,000)	–	(32,934)
Depreciation provided during the year	(16,156)	(1,779)	(6,341)	(6,233)	(42,480)	–	(72,989)
Transfer	64,030	–	–	–	–	(64,030)	–
At 31 December 2013, net of accumulated depreciation	390,405	36,643	34,916	30,074	133,019	69,919	694,976
At 31 December 2013:							
Cost	447,259	39,604	67,063	59,741	167,418	69,919	851,004
Accumulated depreciation	(56,854)	(2,961)	(32,147)	(29,667)	(34,399)	–	(156,028)
Net carrying amount	390,405	36,643	34,916	30,074	133,019	69,919	694,976

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2014, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB195,766,000 (2013: RMB165,752,000) was still in progress.

At 31 December 2014, certain of the Group's buildings with an aggregate net book value of approximately RMB252,117,000 (2013: RMB149,468,000) were pledged as security for the Group's bank borrowings (note 25(a)).

15. LAND USE RIGHTS

	2014 RMB'000	2013 RMB'000
Cost:		
At the beginning of the year	**428,511**	166,230
Additions	**18,874**	280,131
Disposal of a subsidiary (note 33)	**(223,519)**	(17,850)
At the end of the year	**223,866**	428,511
Amortisation:		
At the beginning of the year	**20,697**	11,752
Charge for the year	**7,724**	9,168
Disposal of a subsidiary (note 33)	**(5,751)**	(223)
At the end of the year	**22,670**	20,697
Net book value:		
At the end of the year	**201,196**	407,814

The land use rights of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 27 to 66 years.

At 31 December 2014, certain of the Group's land use rights with an aggregate net book value of approximately RMB91,207,000 (2013: RMB85,323,000) were pledged as security for the Group's bank borrowings (note 25(a)).

16. INTANGIBLE ASSETS

Software

	2014 RMB'000	2013 RMB'000
Cost:		
At the beginning of the year	**6,218**	5,890
Additions	**497**	328
At the end of the year	**6,715**	6,218
Amortisation:		
At the beginning of the year	**1,979**	1,402
Charge for the year	**639**	577
At the end of the year	**2,618**	1,979
Net book value:		
At the end of the year	**4,097**	4,239

17. PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Prepaid lease for buildings and land use rights	**7,201**	8,887
Prepayments for purchase of land use rights	**69,072**	92,643
Prepayments for purchase of property plant and equipment	**45,032**	31,311
	121,305	132,841

18. INVENTORIES

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

At 31 December 2014, certain of the Group's inventories with an aggregate carrying amount of approximately RMB325,766,000 (2013: RMB180,457,000) were pledged as security for the Group's bank loans and other borrowings (note 25(a)).

At 31 December 2014, certain of the Group's inventories with an aggregate carrying amount of approximately RMB196,456,000 (2013: RMB113,034,000) were pledged as security for the Group's bills payable (note 26).

19. TRADE RECEIVABLES

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

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

19. TRADE RECEIVABLES *(continued)*

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

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

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

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

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Prepayments and deposits to suppliers	**346,573**	437,897
Vendor rebate receivables	**153,647**	77,083
VAT receivables (i)	**64,601**	21,925
Others	**36,737**	28,398
	601,558	565,303

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Notes:

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

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

21. AVAILABLE-FOR-SALE INVESTMENTS

	2014 **RMB'000**	2013 RMB'000
Available-for-sale investments, at cost	**20,000**	–

As at 31 December 2014, the available-for-sale investments with a carrying amount of RMB20,000,000 (2013: Nil) were stated at cost less impairment. The directors are of the opinion that their fair value cannot be measured reliably.

22. PLEDGED BANK DEPOSITS

	2014 **RMB'000**	2013 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks and bills payable	**316,090**	292,209

Pledged bank deposits earn interest at interest rates stipulated by financial institutions. All pledged bank deposits at each reporting date were denominated in RMB.

As at 31 December 2014, certain of the Group's pledged bank deposits with an aggregate carrying amount of approximately RMB64,000,000 (2013: Nil) were pledged as security for the Group's bank loans and other borrowings (note 25(a)).

As at 31 December 2014, certain of the Group's pledged bank deposits with an aggregate carrying amount of approximately RMB252,090,000 (2013: RMB292,209,000) were pledged as security for the Group's bills payable (note 26).

23. CASH IN TRANSIT

	2014 RMB'000	2013 RMB'000
Cash in transit	**35,472**	33,240

Cash in transit is the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

24. CASH AND CASH EQUIVALENTS

Group

	2014 RMB'000	2013 RMB'000
Cash and bank balances	**460,849**	451,930
Time deposits	**426,117**	–
Cash and cash equivalents	**886,966**	451,930

Company

	2014 RMB'000	2013 RMB'000
Cash and bank balances	**23,379**	175
Time deposits	**355,719**	–
Cash and cash equivalents	**379,098**	175

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair value.

The Group's cash and bank balances at each reporting date are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
RMB	**413,575**	412,447
US$	**42,220**	11,446
HK$	**430,696**	27,501
EUR	**475**	536
	886,966	451,930

24. CASH AND CASH EQUIVALENTS *(continued)*

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. BANK LOANS AND OTHER BORROWINGS

		2014		2013	
		Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:					
Bank loans		**4.2-7.8**	**1,630,586**	5.9-8.5	1,442,427
Other borrowings		**6.5-7.0**	**121,257**	6.5-7.8	81,247
			1,751,843		1,523,674
NON-CURRENT:					
Bank loans		**6.7-7.4**	**86,000**	7.0-8.7	145,188
			1,837,843		1,668,862
Bank loans and other borrowings representing:					
– secured	(a)		**930,558**		734,803
– guaranteed	(b)		**–**		906,653
– unsecured			**907,285**		27,406
			1,837,843		1,668,862

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

	2014 RMB'000	2013 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,630,586**	1,442,427
In the second year	**34,000**	74,188
In the third to fifth years, inclusive	**52,000**	71,000
	1,716,586	1,587,615
Other borrowings repayable:		
Within one year or on demand	**121,257**	81,247
	1,837,843	1,668,862

(a) As at 31 December 2014, certain of the Group's bank loans and other borrowings are secured by:

(i) mortgages over the Group's land use rights situated in Mainland China, which had aggregate carrying value of approximately RMB91,207,000 (2013: RMB85,323,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB252,117,000 (2013: RMB149,468,000);

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB325,766,000 (2013: RMB180,457,000);

(iv) mortgages over the Group's bank deposits, which had an aggregate carrying value of approximately RMB64,000,000 (2013: Nil).

(b) As at 31 December 2014, certain of the Group's bank loans amounting to RMB906,653,000 were guaranteed by Mr. Wu Tak Lam and Ms. Chiu Man (hereinafter collectively referred to as the "Controlling Shareholders").

26. TRADE AND BILLS PAYABLES

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

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

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

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

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

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

27. OTHER PAYABLES AND ACCRUALS

Group

	2014 RMB'000	2013 RMB'000
Payables for purchase of property, plant and equipment	**27,738**	24,490
Advances from customers	**98,903**	112,259
Staff payroll and welfare payables	**32,931**	32,326
Lease payables	**–**	1,332
Tax payable (other than income tax)	**4,617**	5,336
Deposit received from a construction service provider	**70,000**	–
Others	**25,168**	14,612
	259,357	190,355

Company

	2014 RMB'000	2013 RMB'000
Others	**1,788**	–
	1,788	–

28. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

29. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Losses available for future taxable profit RMB'000	Accrued payroll and social welfare RMB'000	Amortisation of pre-operating expenses RMB'000	Other accrual RMB'000	Total RMB'000
At 1 January 2013	10,456	4,590	353	675	16,074
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	2,721	324	(353)	(107)	2,585
Disposal of a subsidiary (note 33(b))	(1,843)	–	–	–	(1,843)
At 31 December 2013	11,334	4,914	–	568	16,816
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	(1,357)	1,164	–	(73)	(266)
Disposal of a subsidiary (note 33(a))	(1,859)	–	–	–	(1,859)
At 31 December 2014	8,118	6,078	–	495	14,691

As at 31 December 2014, the Group had accumulated tax losses arising in Mainland China of RMB50,836,000 (2013: Nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors.

The Group's subsidiaries in the PRC are directly held by Sunfonda (Hong Kong) Limited, a Hong Kong tax resident.

As at 31 December 2014, the Group has not provided for withholding taxes on accumulated earnings of RMB856,174,000 (2013: RMB714,235,000) generated by its PRC entities, because it is not probable that these accumulated earnings will be distributed to the holding company outside the PRC in the foreseeable future.

30. SHARE CAPITAL

Authorised

	2014 No. of shares at US$0.0001 each	2013 No. of shares at US$1 each
Ordinary shares (note (a))	**1,000,000,000**	50,000

Issued and fully paid

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares US$'000	Share premium US$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000
As at 1 January 2013 and at 1 January 2014	45,000	45	–	285	–
Division of ordinary shares on 8 January 2014 (note (a))	449,955,000	–	–	–	–
Issue of new shares on 15 May 2014 (note (b))	150,000,000	15	70,190	92	430,508
Share issue expenses	–	–	(8,744)	–	(53,631)
As at 31 December 2014	600,000,000	60	61,446	377	376,877

Notes:

(a) On 8 January 2014, the authorised share capital of the Company was changed from US$50,000 divided into 50,000 shares of a par value of US$1.00 each to US$50,000 divided into 50,000 shares of a par value of US$1.00 each and US$100,000 divided into 1,000,000,000 shares with a par value of US$0.0001 each, through the creation of an additional 1,000,000,000 shares with a par value of US$0.0001 each ranking pari passu in all respects with the existing Shares. On the same date, the Company issued 450,000,000 shares with a par value of US$0.0001 to its then shareholders, Top Wheel Limited. Immediately following the completion of the above steps, the Company repurchased 45,000 shares with a par value of US$1.00 in issue from Top Wheel Limited for a consideration of US$45,000, which has been settled in full by the amount payable by Top Wheel Limited for the subscription of 450,000,000 Shares with a par value of US$0.0001. All authorised Shares of a par value of US$1.00 each was cancelled immediately after this repurchase of shares. As a result, the authorised share capital of the Company became US$100,000 divided into 1,000,000,000 Shares of a par value of US$0.0001 each, and the issued and fully paid ordinary shares became US$45,000 divided into 450,000,000 Shares of a par value of US$0.0001 each.

(b) On 15 May 2014, in connection with the Company's IPO as defined in the Prospectus, 150,000,000 new ordinary shares of the Company of US$0.0001 each were issued at a price of HK$3.61 per share with gross proceeds of HK$541,500,000 (equivalent to approximately US$70,205,000 or RMB430,600,000).

31. SHARE-BASED PAYMENTS

(a) Pre-IPO SHARE AWARD SCHEME

As set out in the Prospectus dated 30 April 2014 for the public listing of the Company's Shares on the Stock Exchange, On 8 January 2014, a share award scheme was approved and adopted by the then shareholder (the "Pre-IPO Share Award 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.

For the implementation of the Pre-IPO Share Award Scheme, the Management Trust (as defined in the section headed "Our history and reorganization" in the Prospectus dated 30 April 2014) was established by Top Wheel Limited on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel Limited transferred, for nil consideration, 9,000,000 Shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. 25% of the 9,000,000 shares will be awarded to selected employees of the Group pursuant to the terms of the Pre-IPO Award Scheme prior to the Listing while the remaining 75% will be awarded to employees of the Group after the Listing.

On 15 May 2014, a total of 2,020,000 awarded shares had been granted, at nil consideration, to certain employees pursuant to the Pre-IPO Share Award Scheme, two of which are directors.

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

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.

31. SHARE-BASED PAYMENTS *(continued)*

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

480,000 awarded shares under the Share Award Scheme were forfeited during the years ended 31 December 2014.

The fair value of the share awards granted as at 15 May 2014 was RMB4,470,000 (RMB2.90 each) and the share awards granted as at 21 August 2014 was RMB1,327,000 (RMB2.65 each), of which the Group recognised a total share award expense of RMB1,512,000 during the year ended 31 December 2014.

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

At the end of the period, the Company had 2,040,000 awarded shares outstanding under the Pre-IPO Share Award Scheme.

(b) Share Option Scheme

On 18 January 2014, a share award 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.

The terms of the Share Option Scheme have been fully described in the paragraph headed "E. Share Option Scheme" in the section headed "Appendix V-Statutory and general information" in the prospectus dated 30 April 2014 for the public listing of the Company's shares on the Main Board of the Stock Exchange.

No share options granted under the Share Option Scheme during the year ended 31 December 2014.

32. 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 41 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) Company

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	–	320,214	219	(69)	320,364
Total comprehensive income for the year	–	–	(6,465)	(1,969)	(8,434)
At 31 December 2013 and 1 January 2014	–	320,214	(6,246)	(2,038)	311,930
Total comprehensive income for the year	–	–	(2,560)	(1,735)	(4,295)
Issue of shares	376,877	–	–	–	376,877
Proposed final 2014 dividend	(29,819)	–	–	–	(29,819)
At 31 December 2014	347,058	320,214	(8,806)	(3,773)	654,693

33. DISPOSAL OF A SUBSIDIARY

(a) In May 2014, the Group disposed of its entire equity interest in Beijing Sunfonda Boao Commercial Trading Co., Ltd. ("**Beijing Sunfonda Boao**") to Beijing Huitongxinhe Investment Management Co., Ltd. at a consideration of RMB89,078,000.

Details of the net assets disposed of and the gain on disposal are as follows:

		RMB'000
Net assets disposed of:		
Property, plant and equipment		13,116
Land use rights		217,768
Prepayments		5,664
Deferred tax assets		1,859
Prepayments, deposits and other receivables		2,364
Cash and cash equivalents		20,888
Other payables and accruals		(236,530)*
		25,129
Gain on disposal of a subsidiary	5(b)	70,448
Satisfied by:		
Cash		95,577
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:		
Cash consideration		95,577
Cash and cash equivalents disposed of		(20,888)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary		74,689

* The other payables and accruals balance included an amount of RMB228,810,000 due to Sunfonda (Hong Kong) Limited, a wholly owned subsidiary of the Group. The outstanding balance of RMB228,810,000 has been settled by cash after the disposal transaction completed.

33. DISPOSAL OF A SUBSIDIARY *(continued)*

(b) In June 2013, the Group disposed of its entire equity interest in Yangzhou Sunfonda Automobile Co., Ltd. ("**Yangzhou Sunfonda**") to Mr. Zhao Yijian, who is a close family member of the Controlling Shareholders, for a consideration of US$5,000,000.

Details of the net assets disposed of and the gain on disposal are as follows:

		RMB'000
Net assets disposed of:		
Property, plant and equipment		32,934
Land use rights		17,627
Deferred tax assets		1,843
Inventories		17,236
Trade receivables		1,140
Prepayments, deposits and other receivables		8,269
Cash in transit		1,066
Cash and cash equivalents		8,060
Bank loans and other borrowings		(40,126)
Trade and bills payables		(2,984)
Other payables and accruals		(9,575)
Amounts due to related parties		(12,300)
		23,190
Non-controlling interests		3,000
Gain on disposal of a subsidiary	5(b)	4,704
Satisfied by:		
Cash		30,894
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:		
Cash consideration		30,894
Cash and cash equivalents disposed of		(8,060)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary		22,834

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

31 December 2014	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000
Trade receivables	–	**41,854**
Financial assets included in prepayments, deposits and other receivables	–	**190,384**
Amount due from a related party	–	**16,430**
Available-for-sale investments	**20,000**	–
Pledged bank deposits	–	**316,090**
Cash in transit	–	**35,472**
Cash and cash equivalents	–	**886,966**
	20,000	**1,487,196**

31 December 2013	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000
Trade receivables	–	50,841
Financial assets included in prepayments, deposits and other receivables	–	105,481
Amount due from a related party	–	6,371
Pledged bank deposits	–	292,209
Cash in transit	–	33,240
Cash and cash equivalents	–	451,930
	–	940,072

Financial liabilities

	Financial liabilities at amortised cost	
	2014 RMB'000	2013 RMB'000
Trade and bills payables	**518,445**	444,792
Financial liabilities included in other payables and accruals	**122,906**	40,434
Amounts due to related parties	–	7,684
Bank loans and other borrowings	**1,837,843**	1,668,862
	2,479,194	2,161,772

34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2014	2013
	RMB'000	RMB'000
Amount due from a subsidiary	**181,875**	186,336
Cash and cash equivalents	**379,098**	175
	560,973	186,511

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	**1,788**	–
	1,788	–

35. CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, neither the Group nor the Company had any significant contingent liabilities.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, cash in transit, pledged bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, amount due from a related party, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which are also approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 31 December 2014 was assessed to be insignificant.

At the end of the year, neither the Group nor the Company had any financial asset or liability measured at fair value (2013: Nil).

During the year, there were no transfer between Level 1 and Level 2 fair value measurements and no transfer into or out of Level 3 fair value measurements (2013: Nil).

37. COMMITMENTS

(a) Capital commitments

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

	2014 **RMB'000**	2013 RMB'000
Contracted, but not provided for land use rights and buildings	**50,562**	39,723

37. COMMITMENTS *(continued)*

(b) Operating lease commitments

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

	2014		2013	
	Properties RMB'000	**Land RMB'000**	Properties RMB'000	Land RMB'000
Within 1 year	**15,239**	**3,622**	15,677	4,155
After 1 year but within 5 years	**40,967**	**14,780**	48,762	18,973
After 5 years	**23,300**	**9,714**	25,450	19,752
	79,506	**28,116**	89,889	42,880

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

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in note 14, note 15, note 18 and note 22 to these financial statements.

39. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

In addition to the disclosures in note 25 and note 33(b) to the financial statements, the Group had the following transactions with related parties during the year:

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

(a) Transactions with related parties

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

		2014 RMB'000	Upon the disposal date to 31 December 2013 RMB'000
Yangzhou Sunfonda Automobile Co., Ltd.	(i)	**42,632**	24,673

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

(b) Balances with related parties

(i) Due from a related party:

	2014 RMB'000	2013 RMB'000
Trade related Yangzhou Sunfonda Automobile Co., Ltd.	**16,430**	6,371

(ii) Due to related parties:

Non-trade related The Controlling Shareholders – Mr. Wu Tak Lam and Ms. Chiu Man	**–**	7,684

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

	2014 RMB'000	2013 RMB'000
Short term employee benefits	**3,780**	3,093
Equity-settled share award expense	**473**	–
Post-employee benefits	**153**	138
Total compensation paid to key management personnel	**4,406**	3,231

Further details of directors' and chief executive's emoluments are included in note 8 to these financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 22) and cash and cash equivalents (note 24).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 25. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on long term floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Year ended 31 December 2014		
RMB	**50**	**(428)**
RMB	**(50)**	**428**
Year ended 31 December 2013		
RMB	50	(491)
RMB	(50)	491

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency 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$, EUR and HK$ as disclosed in note 24.

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

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, cash and cash equivalents, trade and other receivables, available-for-sale investments, amount due from a related party included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2014, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	**–**	**439,138**	**1,369,097**	**95,010**	**–**	**1,903,245**
Trade and bills payables	**70,317**	**444,342**	**3,786**	**–**	**–**	**518,445**
Other payables	**95,168**	**6,935**	**20,803**	**–**	**–**	**122,906**
	165,485	**890,415**	**1,393,686**	**95,010**	**–**	**2,544,596**

	As at 31 December 2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	441,346	1,145,587	154,871	–	1,741,804
Trade and bills payables	42,409	402,383	–	–	–	444,792
Other payables	14,612	6,456	19,366	–	–	40,434
Amounts due to related parties	7,684	–	–	–	–	7,684
	64,705	850,185	1,164,953	154,871	–	2,234,714

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is total debt divided by the equity attributable to owners of the parent. Total debt includes bank loans and other borrowings and amounts due to related parties. The gearing ratios as at the end of each reporting period were as follows:

	2014 **RMB'000**	2013 RMB'000
Bank loans and other borrowings	**1,837,843**	1,668,862
Amounts due to related parties	**–**	7,684
Net debt	**1,837,843**	1,676,546
Equity attributable to owners of the parent	**1,576,930**	1,031,104
Gearing ratio	**116.5%**	162.6%

41. INTERESTS IN SUBSIDIARIES

	Company **2014** **RMB'000**	2013 RMB'000
Unlisted shares, at cost	**125,704**	125,704
Due from a subsidiary	**181,875**	186,336
	307,579	312,040

The amount due from a subsidiary included in the interests in subsidiaries above is unsecured, interest-free and has no fixed terms of repayment.

41. INTERESTS IN SUBSIDIARIES *(continued)*

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/ business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
新豐泰(香港)有限公司 (Sunfonda (Hong Kong) Limited)	Hong Kong, the PRC 1997	Registered capital of HK$2,500,000 and paid-in capital of HK$1,501,000	–	100%	Investment holding
Grand Forever Enterprises Limited	Tortola, the BVI 2011	Registered capital of US$50,000 and paid-in capital of US$2,001	100%	–	Investment holding
陝西新豐泰汽車有限責任公司 (Shaanxi Sunfonda Automobile Co., Ltd.)	Xi'an, the PRC 2000	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰汽車技術開發有限責任公司 (Shaanxi Sunfonda Automobile Technology Development Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB250,000,000	–	100%	Sale and service of motor vehicles
西安新銘洋豐田汽車銷售服務有限公司 (Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2003	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
陝西凱盛汽車銷售服務有限公司 (Shaanxi Kaisheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
陝西信捷汽車有限責任公司 (Shaanxi Xinjie Automobile Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB13,000,000	–	100%	Sale and service of motor vehicles
西安鈞盛雷克薩斯汽車銷售服務有限公司 (Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of HK$20,000,000	–	100%	Sale and service of motor vehicles
山西盈捷汽車銷售服務有限公司 (Shanxi Yingjie Automobile Sales Services Co., Ltd.)	Taiyuan, the PRC 2009	Registered and paid-in capital of HK$15,000,000	–	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰信捷汽車有限責任公司 (Ordos Sunfonda Xinjie Automobile Co., Ltd.)	Ordos, the PRC 2010	Registered and paid-in capital of RMB26,846,750	–	100%	Sale and service of motor vehicles
陝西新豐泰博奧汽車有限責任公司 (Shaanxi Sunfonda Boao Automobile Co., Ltd.)	Xi'an, the PRC 2010	Registered and paid-in capital of RMB55,199,805	–	100%	Sale and service of motor vehicles

41. INTERESTS IN SUBSIDIARIES *(continued)*

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries: *(continued)*

Company name	Place and date of incorporation/ business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
鄂爾多斯市新豐泰凱盛汽車有限責任公司 (Ordos Sunfonda Kaisheng Automobile Co., Ltd.)	Ordos, the PRC 2010	Registered and paid-in capital of RMB29,733,148	–	100%	Sale and service of motor vehicles
西安新豐泰之星汽車銷售服務有限公司 (Xi'an Sunfonda Zhixing Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2009	Registered and paid-in capital of HK$84,000,000	–	100%	Sale and service of motor vehicles
蘇州新豐泰汽車銷售服務有限公司 (Suzhou Sunfonda Automobile Sales Services Co., Ltd.)	Suzhou, the PRC 2011	Registered capital of HK$52,000,000 and paid-in capital of HK$20,000,000	–	100%	Sale and service of motor vehicles
蘭州新豐泰汽車銷售有限責任公司 (Lanzhou Sunfonda Automobile Sales Co., Ltd.)	Lanzhou, the PRC 2011	Registered and paid-in capital of RMB38,104,012	–	100%	Sale and service of motor vehicles
陝西新豐泰迎賓汽車銷售服務有限公司 (Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2011	Registered and paid-in capital of RMB27,187,450	–	100%	Sale and service of motor vehicles
延安新豐泰博奧汽車有限責任公司 (Yan'an Sunfonda Boao Automobile Co., Ltd.)	Yan'an, the PRC 2011	Registered and paid-in capital of RMB36,408,200	–	100%	Sale and service of motor vehicles
榆林市新豐泰凱盛汽車銷售服務有限公司 (Yulin Sunfonda Kaisheng Automobile Sales Services Co., Ltd.)	Yulin, the PRC 2011	Registered and paid-in capital of RMB6,335,206	–	100%	Sale and service of motor vehicles
榆林市新豐泰美東汽車銷售服務有限公司 (Yulin Sunfonda Meidong Automobile Sales Services Co., Ltd.)	Yulin, the PRC 2011	Registered and paid-in capital of RMB6,335,206	–	100%	Sale and service of motor vehicles
陝西新豐泰駿美汽車銷售服務有限公司 (Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2012	Registered capital of RMB50,000,000 and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
蘇州新豐泰美東汽車銷售服務有限公司 (Suzhou Sunfonda Meidong Automobile Sales Services Co., Ltd.)	Suzhou, the PRC 2012	Registered capital of RMB53,500,000 and paid-in capital of RMB39,000,000	–	100%	Sale and service of motor vehicles
山西新豐泰汽車銷售服務有限公司 (Shanxi Sunfonda Automobile Sales Services Co., Ltd.)	Taiyuan, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

41. INTERESTS IN SUBSIDIARIES *(continued)*

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries: *(continued)*

Company name	Place and date of incorporation/ business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
無錫新豐泰汽車有限責任公司 (Wuxi Sunfonda Automobile Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
山西新豐泰駿美汽車銷售服務有限公司 (Shanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	Taiyuan, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
揚州新豐泰博奧汽車銷售服務有限公司 (Yangzhou Sunfonda Boao Automobile Sales Services Co., Ltd.)	Yangzhou, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	90%	Sale and service of motor vehicles
西安新豐泰紅旗汽車銷售服務有限公司 (Xi'an Sunfonda Hongqi Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧夏新豐泰信捷汽車銷售服務有限公司 (Ningxia Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	Yinchuan, the PRC 2013	Registered and paid-in capital of HK$49,000,000	–	100%	Sale and service of motor vehicles
寧夏新豐泰駿美汽車銷售服務有限公司 (Ningxia Sunfonda Junmei Automobile Sales Services Co., Ltd.)	Yinchuan, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
無錫新豐泰德輝汽車銷售服務有限公司 (Wuxi Sunfonda Dehui Automobile Sales Services Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰涇河物流開發有限公司 (Xi'an Sunfonda Jinghe Logistics Development Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB1,010,000	–	100%	Logistics service of motor vehicles
陝西新豐泰尚眾汽車銷售服務有限公司 (Shaanxi Sunfonda Shangzhong Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB11,000,000	–	100%	Sale and service of motor vehicles
北京新豐泰博奧汽車銷售服務有限公司 (Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.)	Beijing, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
渭南新豐泰博奧汽車銷售服務有限公司 (Weinan Sunfonda Boao Automobile Sales Services Co., Ltd.)	Weinan, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	80%	Sale and service of motor vehicles

41. INTERESTS IN SUBSIDIARIES *(continued)*

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries: *(continued)*

Company name	Place and date of incorporation/ business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
陝西新豐泰福生汽車銷售服務有限公司 (Shaanxi Sunfonda Fusheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰金達實業開發有限公司 (Shaanxi Sunfonda Jinda Industrial Development Co., Ltd.)	Xi'an, the PRC 2014	Registered capital of RMB5,000,000 and paid-in capital of Nil	–	100%	Sale and service of motor vehicles
陝西新豐泰匯晟汽車銷售服務有限責任公司 (Shaanxi Sunfonda Huisheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰銘誠汽車園實業開發有限公司 (Shaanxi Sunfonda Mingcheng Auto-park Industrial Development Co., Ltd.)	Xi'an, the PRC 2014	Registered capital of RMB50,000,000 and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰匯翔汽車銷售服務有限公司 (Shaanxi Sunfonda Huixiang Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰匯竣汽車銷售服務有限公司 (Shaanxi Sunfonda Huijun Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
揚州新豐泰智威汽車銷售服務有限公司 (Yangzhou Sunfonda Zhiwei Automobile Sales Services Co., Ltd.)	Yangzhou, the PRC 2014	Registered capital of RMB30,000,000 and paid-in capital of Nil	–	100%	Sale and service of motor vehicles
陝西新豐泰匯佳汽車銷售服務有限公司 (Shaanxi Sunfonda Huijia Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰銘威汽車銷售服務有限公司 (Shaanxi Sunfonda Mingwei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰金石實業開發有限公司 (Shaanxi Sunfonda Jinshi Industrial Development Co., Ltd.)	Xi'an, the PRC 2014	Registered capital of RMB50,000,000 and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles

41. INTERESTS IN SUBSIDIARIES *(continued)*

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries: *(continued)*

Company name	Place and date of incorporation/ business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
咸陽新豐泰瑞嘉汽車銷售服務有限公司 (Xianyang Sunfonda Ruijia Automobile Sales Services Co., Ltd.)	Xianyang, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰智威汽車銷售服務有限公司 (Shaanxi Sunfonda Zhiwei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
青海新豐泰信捷汽車銷售服務有限公司 (Qinghai Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	Qinghai, the PRC 2014	Registered capital of RMB30,000,000 and paid-in capital of Nil	–	100%	Sale and service of motor vehicles

42. EVENTS AFTER THE REPORTING PERIOD

On 12 March 2015, the Group acquired a 100% equity interest in 銀川順馳路捷汽車銷售有限公司, which is engaged in the sale and services of motor vehicles. The purchase consideration of RMB10,100,000 for the acquisition was in the form of cash and was paid on the acquisition date.

Because the acquisition of 銀川順馳路捷汽車銷售有限公司 was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2015.

FINANCIAL SUMMARY

	As at 31 December 2014			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**7,879,528**	7,432,699	7,205,232	5,348,404
Cost of sales and services	**(7,272,444)**	(6,787,872)	(6,642,745)	(4,832,500)
Gross profit	**607,084**	644,827	562,487	515,904
Other income and gains, net	**201,468**	93,901	64,119	35,570
Selling and distribution expenses	**(249,460)**	(213,292)	(176,047)	(139,648)
Administrative expenses	**(186,624)**	(152,270)	(145,559)	(110,025)
Profit from operations	**372,468**	373,166	305,000	301,801
Finance costs	**(138,642)**	(124,584)	(116,695)	(40,994)
Profit before tax	**233,826**	248,582	188,305	260,807
Income tax expense	**(61,096)**	(62,969)	(48,091)	(66,809)
Profit for the year	**172,730**	185,613	140,214	193,998
Attributable to:				
Owners of the parent	**172,370**	185,636	140,214	193,998
Non-controlling interests	**360**	(23)	–	–
	172,730	185,613	140,214	193,998
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS				
Total assets	**4,231,179**	3,387,174	3,181,970	2,108,995
Total liabilities	**2,648,912**	2,351,093	2,337,943	1,425,254
Non-controlling interests	**5,337**	4,977	–	–
Equity attributable to owners of the parent	**1,576,930**	1,031,104	844,027	683,741