2016 INTERIM REPORT

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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

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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BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhu Wei

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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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CORPORATE INFORMATION

REGISTERED OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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Wanchai, Hong Kong

LEGAL ADVISER

PRC Law

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

Hong Kong Law

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AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
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Central, Hong Kong

PRINCIPAL BANKERS

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

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

STOCK CODE

01771

WEBSITE

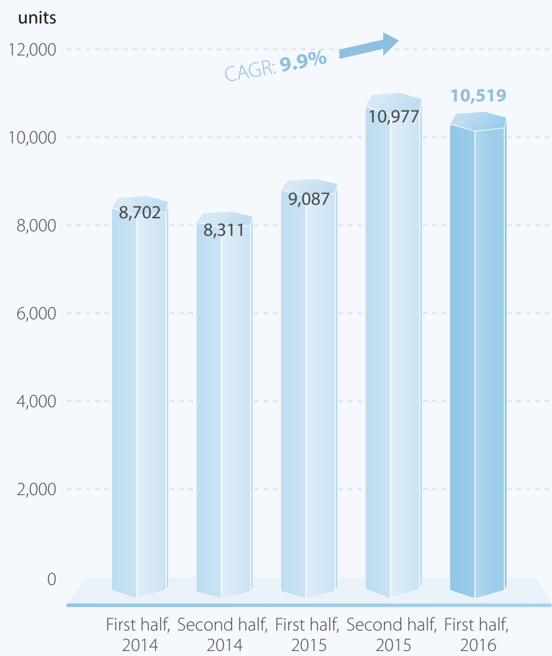
www.sunfonda.com.cn

FINANCIAL HIGHLIGHTS

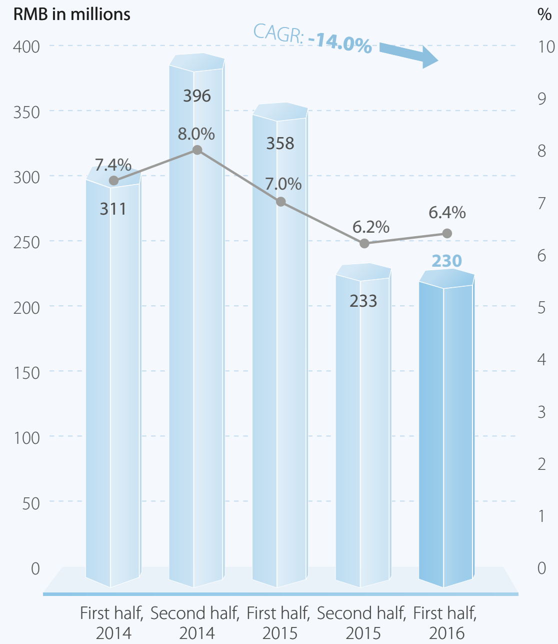
During the period of 1 January to 30 June 2016 (the "**Period**"), the Company has recorded:

- Operating revenue of RMB3,570.5 million, which was down by 3.5% from the same period last year, including:
  - Automobile sales, which was up by 15.8% in volume to 10,519 units but sales revenue was down by 4.4% to RMB3,167.0 million; and
  - After-sales services, which was up by 3.9% to RMB403.5 million.
- Gross profit of RMB229.7 million, which was down by 11.1% from the same period last year.
- Gross profit margin was down by 0.6 percentage point to 6.4% (30 June 2015: 7.0%).
- Profit attributable to owners of the parent for the Period was down by 48.5% to RMB17.1 million (30 June 2015: RMB33.2 million).
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was down by 50.0% to RMB0.03 for the Period as compared to RMB0.06 for the same period last year.

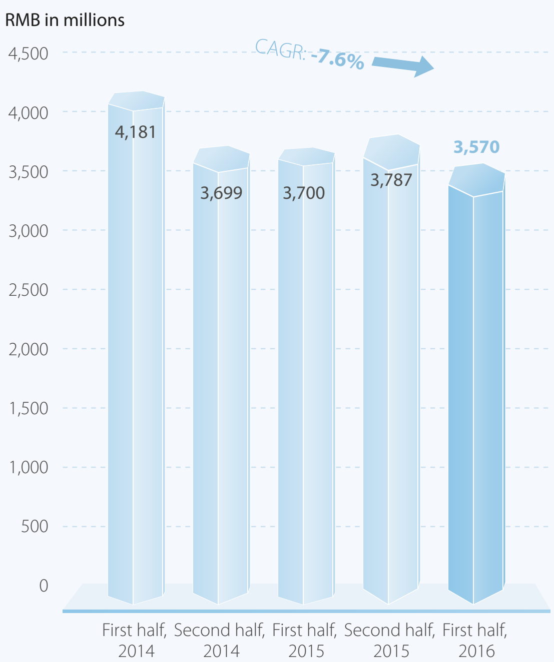
Sale volume of passenger vehicles



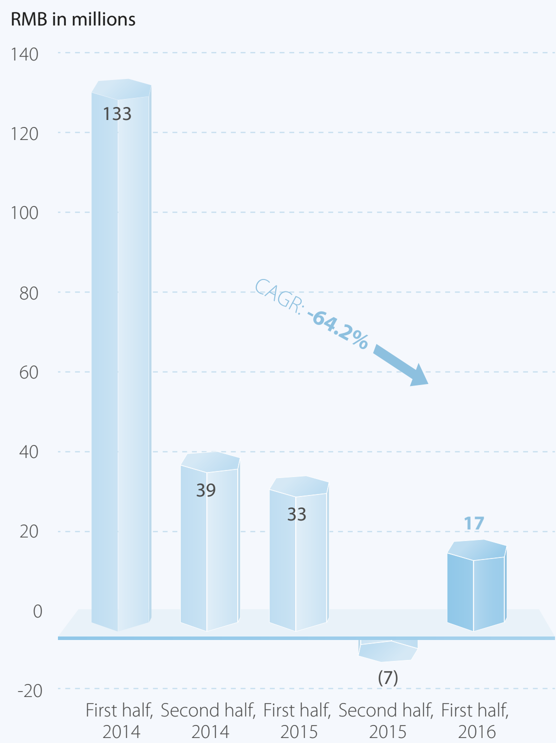
Gross profit and gross profit margin



Revenue



Profit (loss) attributable to owners of the Company



Note: CAGR refers to compound annual growth rate from the first half of 2014 to the first half of 2016

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Sunfonda Group Holdings Limited (the "**Company**"), I present the interim report of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016.

According to the data published by the National Bureau of Statistics, the GDP in the first half of 2016 reached RMB34.0637 trillion, up by 6.7% year-on-year in terms of comparable prices. The national economy remained stable in general while making progress steadily. As shown by the statistics published by the China Association of Automobile Manufacturers, sales volume of passenger vehicles reached 10,654,000 units in the first half of 2016, up by 11.5% year-on-year.

Given the complex economic environment both at home and abroad and the intensifying competition in the automobile sector, the Group made forward-looking adjustments and improvements on its strategic layout and operational management by further strengthening its refined management and optimizing resources allocation, at the same time implementing a series of effective measures in various areas, including cost control, inventory management and capital management. During the period under review, the major brands operated by the Group, such as Porsche, Benz and Lexus, posted improved performance as compared with the second half of 2015. For the six months ended 30 June 2016, the sales volume of new automobiles reached 10,519 units, up by 15.8% year-on-year; revenue from after-sales maintenance amounted to RMB403.5 million, up by 3.9% year-on-year; gross profit amounted to RMB229.7 million, representing a decrease of 11.1% as compared to the corresponding period last year; profit after tax decreased by 48.3% to RMB16.9 million, as compared with that of RMB32.7 million in the corresponding period of 2015; earnings per share were RMB0.03, representing a decrease of RMB0.03 per share as compared with the corresponding period last year.

In view of the intensifying competitions among automobile dealers, brands and regional markets, the Group constantly reinforced the operation of existing brands and continued to promote new growth models for its businesses. For instance, the Group has strengthened its efforts in promoting new business models such as decoration, extended warranty, used automobile trading, community care, emergency assistance and e-commerce, etc. Meanwhile, the Group has reasonably controlled the pace of network expansion during the period under review by selectively introducing popular middle to high-end automobile brands. Given the outstanding market performance of Lexus in China in recent years, the Group obtained two brand licenses from Lexus in the first half of the year. The Group also obtained one brand license from DENZA, a pure electric vehicle brand jointly invested and launched by Daimler AG and BYD, further diversifying and optimizing the brand portfolio of the Group.

As for internal management, the Group fully implemented the profit-oriented operational management and assessment system in the first half of 2016, based on which the Group performed assessments at all levels for sales of new automobile, value-added business, after-sales services and automobile after-sales market business, so as to ensure maximum profit in all operational activities of the Group. Meanwhile, the Group stepped up its efforts in the management of its customer base by actively providing existing customers with quality value-added services, which has enhanced the stickiness and loyalty of the Group's customers and laid a solid customer base for the Group's development.

Looking into the future, as the automobile sector will face continuing challenges brought by further consolidation and transformation, the Group will continue to leverage its brand influence and regional advantages to exert greater efforts in enhancing the new business models on the basis of the steady development in traditional businesses. The Group will also improve its profitability, continue to maintain sound cooperation with brand manufacturers, comprehensively enhance the standard of internal management and service quality, as well as optimize resources allocation and utilize the resources effectively. At the same time, for the development model, the Group will pay more attention to new businesses such as decoration, extended warranty, used automobile trading, financial leasing and e-commerce, etc., while maintaining a focus on its principal businesses of sales and after-sales services, with a view to further enhancing the market influence and comprehensive strengths of the Group.

In the face of competition, we are even more confident that, with the change in consumers' need for usage of cars and upgrade of products, the luxury brands operated by the Group still possess strong growth potential in the markets of Northwestern China. By leveraging the advantages from years of geographical and brand operation and management, we will continue to vigorously enhance our existing strengths to be both pragmatic and innovative, so as to provide our customers with automobile experience and service of higher quality, thereby enhancing the Group's reputation in the market. In addition, the Group will continue with the development directions of making prudent investments and reasonable planning to pursue steady and solid growth and enhance its core competence, so as to realize stable and sustainable development.

On behalf of the Board, I would like to take this opportunity to extend our heartfelt gratitude to our staff for their hard work and contribution to the steady and solid growth of the Group during the first half of 2016. Also, I would like to thank our automobile manufacturers, shareholders, business partners and customers for their long-term support to Sunfonda Group.

Wu Tak Lam
Chairman

26 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

According to the data published by the National Bureau of Statistics, China's economy grew by 6.7% year-on-year in the first half of 2016. Major indicators such as industries, employment, commodity prices and income of residents remained at a steady level and were within expectation. The economy was running within a reasonable range in general and performing as expected, whether in terms of the production side or demand side, the GDP growth rate, or core indicators such as employment, commodity prices, income and consumption. The national economy remained stable in general while making progress steadily.

In the first half of 2016, the industrial structure, demand structure and regional structure in China were constantly improving. The service industries and internal demand have rendered more support for the steady growth of the economy, and facilitated a more coordinated economic development in China. Meanwhile, the online retail sales in the first half of 2016 grew by 28.2%, with new models emerging in various forms such as online car hailing and online education.

According to the data published by the China Passenger Car Association, the sales volume of the passenger vehicles market in China reached 10,654,000 units in the first half of 2016, up by 11.5% year-on-year. Among which, the sales volume in June was up by 20.6% year-on-year, representing a record-breaking growth rate in the first half of 2016. For sedan market, the sales of new vehicles amounted to 5,593,000 units, representing a decrease of 4.2% year-on-year; however, the sales volume of sport utility vehicles was 3,915,000 units, up by 44% year-on-year.

In particular, new energy vehicles maintained a rapid growth rate in the first half of the year, the number of manufactured new energy vehicles and the sales volume of new energy vehicles reached 177,000 units and 170,000 units respectively, representing year-on-year increases of 125.0% and 126.9% respectively. Among which, the number of manufactured pure electric vehicles and the sales volume of pure electric vehicles reached 134,000 units and 126,000 units respectively, representing year-on-year increases of 160.8% and 161.6%; the number of manufactured plug-in hybrid vehicles and the sales volume of plug-in hybrid vehicles reached 43,000 units and 44,000 units, representing year-on-year increases of 57.1% and 64.2%.

The top three positions in the luxury vehicles market were always the competition among the three major German luxury vehicle brands, namely Audi, BMW and Benz. In the first half of 2016, Audi continued to secure the No. 1 position in terms of sales volume of luxury vehicles with a sales volume of 288,900 units, representing a year-on-year increase of 9%; while the competition between BMW and Benz was more intense. At the beginning of 2016, the sales volume of Benz had surpassed that of BMW twice, and the sales volume growth rate of Benz in China was much higher than that of Audi and BMW. The growth rate of Audi of 9% was basically in line with the growth rate of vehicle market in China, while the growth rate of BMW of 7.4% was slightly below the market. However, Benz outperformed the entire market with a high-level growth rate of 34%. According to the published data, the sales volume of Benz in China in the first half of 2016 had already surpassed its full-year sales volume in China in 2013.

In the first half of 2016, Lexus, which belongs to the second-tier luxury brands, also achieved a satisfactory market performance with a sales volume of 46,000 units, representing a year-on-year growth rate as high as 27%, making it the brand with the highest growth rate among the second-tier luxury brands.

Meanwhile, the mainstream luxury and ultra-luxury passenger vehicle markets grew steadily by 6% in the first half of 2016 when compared with the corresponding period last year. In particular, the sales volume of the following brands which the Company owns the dealerships reached to 30,440 units of Porsche, 288,900 units of Audi, 215,257 units of Mercedes Benz and 46,000 units of Lexus, etc. in China during the Period, which represented increases of approximately 4%, 9%, 34% and 27%, respectively as compared with the corresponding period of 2015. Benefited from the outstanding market performance of the abovementioned brands, the Group has also achieved excellent performance in sales.

The automobile market in Northwestern China is still lagging behind when compared with that in Southern and Eastern China. Notwithstanding years of rapid growth, in 2016, the penetration rate of automobiles in that region was still the lowest across the country and the growth rate with respect to the luxury and ultra-luxury brands in Northwestern China is far higher than the national average level. With the gradual implementation of China's "One Belt, One Road" initiative, as well as the incentive and preferential policies so introduced to Northwestern China, the Company will continue to be benefited from the new development opportunities in the region, while new areas and new markets will be identified to pursue sustainable development.

Moreover, the automobile after-sales services market in China continued to show great potential for development and realized rapid growth, especially the luxury and ultra-luxury segment. The increase in number of automobiles ownership, the upgrade in automobile products and the aging of automobiles will further promote market development in China. Going forward, the Company will continue to seize the opportunities brought by the growing market breadth and strive to maintain its leading position as a dealer group in the Northwestern China market of luxury and ultra-luxury automobiles.

BUSINESS AND OPERATIONAL REVIEW

Given the market environment with slowdown of macro-economic growth rate and intensifying competition in the automobile sector, the traditional operation model of dealers has been under enormous pressure and challenges. The Group has taken on the challenges in a proactive manner. In the first half of 2016, the Group implemented a series of operation management measures to positively respond to the market changes. On one hand, the Group strengthened the establishment of management system to enhance its overall standard of management and decision-making capabilities. On the other hand, the Group promoted and encouraged staff members throughout the organization to optimize and develop innovative management and business models, so as to secure a better position for the Group's sustainable and healthy development under the complex and constantly changing competitive landscape.

MANAGEMENT DISCUSSION AND ANALYSIS

Taking advantage of its refined management, the major brands operated by the Group, such as Porsche, Benz and Lexus posted a relatively steady performance during the Period. During the Period, the sales volume of new automobiles reached 10,519 units, up by 15.8% year-on-year; revenue from after-sales maintenance amounted to RMB403.5 million, up by 3.9% year-on-year; gross profit reaching RMB229.7 million, representing a decrease of 11.1% as compared to the previous period; profit after tax decreased by 48.3% to RMB16.9 million, as compared with that of RMB32.7 million in the corresponding period of 2015.

As for automobile sales business, the majority of automobile manufacturers blindly pursue growth in market shares in the first half of 2016, resulting in unhealthy competition in the market and continuous downtrend of new automobiles prices. The overall efficiency of 4S stores was thus greatly affected. In this regard, the Group focused its efforts on strengthening the control and management of the quality of new automobiles sales in terms of operational management. It also promptly adjusted its strategy and implemented solutions which can steadily and effectively enhance its sales quality. Such measures have prevented losses caused by low sales quality, which has in turn laid a solid foundation for the Group to remain profitable in general in the first half of the year. Moreover, the Group strictly implemented its inventory management system and inventory alert mechanism with a view to achieving reasonable resource allocation and inventory control, thereby lowering the capital occupied by inventory.

For after-sales services, due to the inertia arising from the consistent decline of the general automobile after-sales services industry in 2015, the after-sales services business remained on downtrend as a whole in 2016. The Group stepped up its efforts in the development of sticky products in 2015 and achieved initial success in the same year. After a year of exploration and experience, the Group made significant progress in the sales of sticky products in the first half of 2016 and achieved the results it aspires. The overall churn rate of the Group was lower than the average level of the industry. The Group's revenue from after-sales services business for the first half of the year increased by 3.9% as compared with the corresponding period last year; while the gross profit of after-sales services business decreased by 3.6%.

For used automobile business, the used automobile business in China has been growing rapidly in recent years. According to the statistics, the total domestic transaction volume of used automobiles (passenger automobiles) in 2015 reached 9,470,000 units, representing 45% of the number of registered passenger automobiles. It is expected that the transaction volume will achieve an explosive growth and surpass 11,000,000 units this year.

The Group was fully conscious that there is great potential for the development of used automobile market in the future and has therefore formulated a strategic plan in the second half of 2015 for the development of its used automobile business for the next few years, clearly setting out its business goals and management requirements in 2016, which has greatly enhanced the importance of used automobile business in the 4S stores business sector. With the joint efforts of our team members, we were able to deliver encouraging results in the first half of 2016. In just over half a year, the Group has achieved rapid growth of its used automobile business, narrowed the gap with its peers substantially in terms of performance of this business. In the first half of 2016, the Group recorded a significant growth in the number of used automobiles assessed and replaced as compared with the corresponding period last year, which has not only laid a solid foundation for the fulfillment of pre-determined target of the used automobile business throughout the year, but also greatly boosted the passion and confidence of its teams.

FINANCIAL REVIEW

Revenue

Revenue for the Period was RMB3,570.5 million, representing a decrease of RMB129.7 million or 3.5% as compared with the corresponding period in 2015. Of which, revenue arising from the sales of new automobiles was RMB3,167.0 million, representing a decrease of RMB144.8 million or 4.4% as compared to that for the corresponding period in 2015. The decrease in revenue arising from the sales of new automobiles was attributable to the fact that automobile manufacturers have launched more car models with lower prices, which has resulted in corresponding adjustments in the sales structure of our car models, and thus the number of sales of low-priced car models increased but our revenue decreased. In addition, revenue arising from after-sales services was RMB403.5 million, representing an increase of RMB15.1 million or 3.9% as compared to that for the corresponding period in 2015. The increase in revenue arising from after-sales services was attributable to the increase in business volume through the strengthening of after-sales customer management system and the development of sticky products.

A substantial portion of revenue of the Group was generated from sales of new automobiles, accounting for 88.7% of our revenue for the Period (corresponding period in 2015: 89.5%). During the Period, the remaining part of revenue of the Group was generated from after-sales services, accounting for 11.3% of our revenue for the Period (corresponding period in 2015: 10.5%). Revenue of the Group is mainly derived from our operations in China.

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

Revenue mix	For the six months ended 30 June 2016 Amount RMB'000	2016 Sales volume (Unit)	2016 Average selling price RMB'000	2015 Amount RMB'000	2015 Sales volume (Unit)	2015 Average selling price RMB'000
Sales of passenger vehicles						
Luxury and ultra-luxury brands	2,817,700	8,002	352	3,143,715	7,946	396
Mid-end market brands	349,251	2,517	139	168,062	1,141	147
Sub-total	3,166,951	10,519	301	3,311,777	9,087	364
After-sales services	403,530			388,410		
Total	3,570,481			3,700,187		

Cost of sales and services

Cost of sales and services for the Period was RMB3,340.7 million, representing a decrease of RMB101.1 million or 2.9% as compared to that for the corresponding period in 2015. Cost of sales of new automobiles for the Period was RMB3,117.1 million, representing a decrease of RMB123.0 million or 3.8% as compared to that for the corresponding period in 2015. The decrease in average cost of sales of new automobiles was attributable to the fact that automobile manufacturers have launched more car models with lower prices, which has resulted in corresponding adjustments in the sales structure of our car models, and thus the number of sales of low-priced car models increased but our total costs decreased. Cost of after-sales services for the Period was RMB223.6 million, representing an increase of RMB21.9 million or 10.9% as compared to that for the corresponding period in 2015. The increase in cost of after-sales services was attributable to increase in business volume of after-sales services.

Gross profit

Gross profit for the Period was RMB229.7 million, representing a decrease of RMB28.7 million or 11.1% as compared to that for the corresponding period in 2015. Of which, gross profit of sales of new automobiles was RMB49.8 million, representing a decrease of RMB21.9 million or 30.4% as compared to that for the corresponding period in 2015; gross profit of after-sales services was RMB179.9 million, representing a decrease of RMB6.8 million or 3.6% as compared to that for the corresponding period in 2015. Gross profit of after-sales services for the Period accounted for 78.3% of our total gross profit (corresponding period in 2015: 72.3%).

Gross profit margin for the Period was 6.4% (corresponding period in 2015: 7.0%). Of which, gross profit margin for sales of new automobiles was 1.6% (corresponding period in 2015: 2.2%) and gross profit margin for after-sales services was 44.6% (corresponding period in 2015: 48.1%).

Other Net Income and Gains

Other net income and gains for the Period amounted to RMB60.9 million, representing an increase of 1.8% as compared with RMB59.8 million for the corresponding period in 2015. Other net income and gains mainly consist of commission income from automobile insurance agency and automobile financing agency business, logistics and storage income, interest income as well as losses on disposal of property, plant and equipment.

Selling and Distribution Expenses

Selling and distribution expenses for the Period amounted to RMB121.0 million, representing a decrease of 2.9% as compared with RMB124.6 million for the corresponding period in 2015, mainly due to the decrease in lease payments, as well as decrease in average unit price of test-driving vehicles which led to a corresponding decrease in depreciation.

Administrative Expenses

Administrative expenses for the Period amounted to RMB92.3 million, representing an increase of 5.8% as compared with RMB87.2 million for the corresponding period in 2015. The increase in administrative expenses was mainly attributable to the increase in exchange losses arose from borrowings in USD due to the depreciation of RMB as well as increase in staff cost due to the increase of headcount.

Finance Costs

Finance costs for the Period amounted to RMB46.0 million, representing a decrease of 29.7% as compared with RMB65.4 million for the six months ended 30 June 2015. The decrease was mainly attributable to the decrease in new automobiles procurement, the decrease in average inventory which led to a decrease in inventory financing, decrease in interest rates of bank borrowings as well as slowdown of loan renewal. The scale of financing declined from RMB1,959.7 million as of 30 June 2015 to RMB1,554.5 million as of 30 June 2016, among which the balance of bank borrowings decreased by RMB309.7 million, and the balance of other financing (including financing from automobile manufacturers) decreased by RMB95.5 million.

Profit Before Tax

As a result of the foregoing, profit before tax for the Period amounted to RMB31.3 million, representing a decrease of 23.7% as compared with RMB41.0 million for the corresponding period in 2015.

Income Tax Expense

Income tax expense for the Period amounted to RMB14.5 million, representing an increase of 76.8% as compared with RMB8.2 million for the six months ended 30 June 2015. The effective income tax rate of the Group for the Period was approximately 46.2%. The increase in income tax expenses was mainly due to the impact of tax losses not recognised as deferred tax assets for some loss-making subsidiaries.

Profit for the Period

As a result of the foregoing, profit for the Period was RMB16.9 million, representing a decrease of 48.3% as compared with RMB32.7 million for the six months ended 30 June 2015.

Profit for the Period Attributable to Owners of the Parent

For the Period, profit for the Period attributable to owners of the parent was RMB17.1 million, representing a decrease of 48.5% as compared with RMB33.2 million for the six months ended 30 June 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the Period, our net cash inflow generated from operating activities was RMB102.7 million, as compared with net cash inflow generated from operating activities of RMB24.9 million for the six months ended 30 June 2015. The increase in net cash inflow from operating activities was mainly attributable to the decrease in capital occupied by inventory which was caused by the acceleration of sales and control of procurement pace.

For the Period, our net cash outflow for investing activities was RMB12.5 million, as compared with net cash outflow for investing activities of RMB112.7 million for the six months ended 30 June 2015. The decrease in net cash outflow for investing activities was mainly attributable to the dividends paid of RMB29.8 million and the amount paid for the acquisition of a subsidiary of RMB10.1 million in the first half of 2015; and the fact that under the influence of the development strategy of prudent investment, expenses in relation to addition of fixed assets in the first half of 2016 decreased by RMB43.6 million as compared to that of the first half of 2015, while the expenses in relation to the addition of land use rights in the first half of 2016 decreased by RMB10.4 million as compared to that of the first half of 2015.

For the Period, our net cash outflow for financing activities was RMB117.2 million, as compared with net cash inflow from financing activities of RMB56.5 million for the six months ended 30 June 2015. The fluctuation was mainly due to the decrease in inflow from the Group's bank borrowing resulted from the decrease in whole-vehicle procurement.

Net Current Assets

As at 30 June 2016, our net current assets amounted to RMB405.1 million, as compared with net current assets of RMB372.1 million as at 31 December 2015. The increase in net current assets was mainly due to the increase in prepayments and deposits to supplier of RMB59.9 million and the decrease in available-for-sale investments of RMB33.5 million.

Inventories

Our inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 30 June 2016, our inventories amounted to RMB742.8 million, representing an increase of 7.2% as compared with RMB692.6 million as at 31 December 2015, which was mainly attributable to the provisional increase in inventory at the end of the Period due to the Group's centralized procurement of new vehicles of Porsche in June 2016.

In the first half of 2016, our average inventory turnover days (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 180 days) were 38.7 days, notably shorter than the 45.7 days in 2015, mainly due to our efforts in the control of procurement pace and acceleration of new vehicles sales, especially our strengthened management over aged inventory of vehicles, so that the proportion of aged inventory of vehicles to the overall inventory has significantly decreased.

Bank Loans and Other Borrowings

As at 30 June 2016, our bank loans and other borrowings were RMB1,554.5 million, representing a decrease of 4.4% as compared with RMB1,625.7 million as at 31 December 2015, which was mainly attributable to the Group's strategy to slowdown the development of sales network, maintain steady business operation and reduce new automobiles procurement and average inventory which led to a decrease in inventory financing as well as slowdown of loan renewal.

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

	30 June 2016 Unaudited		31 December 2015 Audited	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	1.4-7.0	1,310,641	1.4-7.4	1,336,512
Other borrowings	5.6-7.9	150,629	5.6-7.9	193,163
Sub-total		1,461,270		1,529,675
NON-CURRENT:				
Bank loans	5.0-7.4	93,250	6.9-7.4	96,000
Total		1,554,520		1,625,675
Among which:				
– secured loans		1,404,520		1,191,839
– unsecured loans		150,000		433,836
Total		1,554,520		1,625,675

As at 30 June 2016, our gearing ratio, which is total debt divided by the equity attributable to owners of the parent, was 96.0%. Total debt includes bank loans and other borrowings.

Pledge of Assets

As at 30 June 2016, certain of our bank loans were secured by charges or pledges over our assets. Our assets subject to these charges or pledges as at 30 June 2016 consisted of: (i) inventories amounting to RMB370.2 million; (ii) property, plant and equipment amounting to RMB283.2 million; and (iii) land use rights amounting to RMB171.4 million.

As at 30 June 2016, certain of our inventories amounting to RMB406.3 million and pledged bank deposits amounting to RMB242.9 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. As of 30 June 2016, our total capital expenditures were RMB104.0 million, representing a decrease of approximately RMB53.8 million as compared with the RMB157.8 million as of 30 June 2015.

Contingent Liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities or guarantees.

Interest Rate Risk and Foreign Exchange Risk

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

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 Period. Therefore, the Group had immaterial foreign currency risk.

STAFF COST AND EMPLOYEE REMUNERATION POLICIES

As of 30 June 2016, the Group had 2,465 employees. Staff cost of the Group increased by 5.8% from RMB89.8 million for the six months ended 30 June 2015 to RMB95.0 million for the Period. The increase was mainly attributable to the increase in staff cost resulting from the new dealership stores in the second half of 2015. At the same time, the Group has streamlined all positions based on its business development and appropriately streamlined the setting of various positions. The Group offers attractive remuneration packages, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and after-sales staff with performance-based bonuses based on their contributions to revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. The performance bonuses are calculated on a monthly basis. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. In order to keep up with the rapid development of the Group's network, the Group also continued to build up its quality talent pool and prudently manage its human resources and made corresponding adjustments to the arrangement of positions based on the changes in overall business volume. Meanwhile, the Group attaches great importance to the reserve of talent and teambuilding. Regular trainings in respect of business skills, expertise and professional qualifications have been provided to key personnel. The Group also pays close attention to the career development of its employees, so as to provide primary drivers for the future development of the Group.

FUTURE STRATEGY AND PROSPECTS

Customer Retention Project

The Group has resolved to further enhance its customer service quality and pay more attention to maintaining customers' loyalty. All operational models will be commenced in a customer-oriented manner. The Company continued to step up its investments in customer retention activities in the first half of 2016, with an aim to reduce customer outflow. In the second half of 2016, the Group will establish a Customer Relationship Management (CRM) Department to conduct sophisticated analysis on its customer base. As such, it will be able to conduct classified management based on customers' demands and offer customized rebate activities that can cater to customers' needs.

Marketing via Internet and We-media

The Group will further enhance the channels for acquisition of online customers, pay more attention to maintaining these new customers and increase the transaction conversion rate of such customers. The Group will formulate accurate marketing plans by conducting sophisticated analysis on the effects of online channels, and will continue to enhance customers' attention to the Group through popular We-media channels, such as WeChat, so as to enhance the information disclosure and promotion of the Company. Meanwhile, the Company will also require all brand stores to make effective use of such tools, establish WeChat groups to interact and communicate with the customers more frequently.

Continuous Growth of Insurance Agency Business

The Group further strengthened its management and supervision over the insurance coverage ratio of new automobile and warranty renewal. In the first half of 2016, the average insurance coverage ratio of new automobile was approximately 95% and the warranty renewal rate also increased steadily. The future growth of this agency business is promising and it is expected that the insurance coverage ratio of new automobile and warranty renewal will further increase in the second half of 2016, thereby having a positive impact on customer retention.

Enhanced Management over Financing and Credit Business

The automobile finance market remained active and it is estimated that the total scale of China's automobile finance market will reach approximately RMB1.5 trillion in 2020. The estimated penetration rate of automobile finance industry will be 50%. The Group has also stepped up its efforts in the management of the automobile financing business. In the first half of 2016, the average penetration rate of the Group's financing business was approximately 35% and will further increase in the second half of the year.

New Energy Vehicle Business

In the first half of 2016, the sales volume of new energy vehicles in China reached 170,000 units, representing a year-on-year increase of 126.9%; while the sales volume of pure electric vehicles reached 126,000 units, representing an increase of 161.6% as compared to the same period of last year. The Group will closely monitor the progress of new energy vehicle projects. Apart from the authorization granted by DENZA, a new energy automobile brand, the Group is also in the process of negotiation with a few other new energy vehicle manufacturers. The brand store of DENZA in Xi'an is expected to officially commence operation in the third quarter of 2016, which will further enrich the brand mix of the Group.

Used Automobile Business

With the increase in the number of automobile ownership in China, the frequency of vehicle replacement has increased and the replacement cycle has shortened accordingly. In 2016, the government gradually relaxed and lifted the restrictions on relocation of used automobiles, providing strong support for the circulation of the same and indicating great potential for business development in the future. The Group also established professional management teams for developing the used automobile business and actively promoted the planning and establishment of the demonstration and trading center for used automobile. Besides, it has commenced to comprehensively cooperate with renowned and professional used automobile websites in China, including yiche.com (易車網), xin.com (優信二手車) and 58.com (58同城), aiming to establish Sunfonda as a professional brand for used automobile, so as to better satisfy the demand of consumers and ensure steady growth of our customer base. Both the assessment rate and replacement rate of used automobile business increased substantially during the Period and are expected to continue to grow in the second half of the year.

E-commerce Projects

As a strategic development project, "Tai Auto (泰愛車)", an online service platform invested by the Group, officially launched an "at-home" comprehensive service tool on WeChat named "Tai Auto (泰愛車)" in the fourth quarter of 2015. The platform has provided customers with convenient, fast and quality warranty, maintenance and repairing services since launched, and has been well-received by customers. The research and development for the "Tai Auto Mall App (泰愛車商城App)" has been progressing smoothly and the App is expected to be launched in the fourth quarter of 2016. The Company's customers will then be able to complete the order of a series of services via this App, such as pre-order of new automobiles, financial leasing as well as assessment and replacement of used automobiles. The Group expects that the App will further enhance customers' satisfaction and enable them to enjoy a more fashionable and convenient shopping experience.

Diversified Marketing Approaches

The Group achieved proven results in reasonable control of expenses in the past three years through centralized marketing management. It also provided guidance for all brand stores to focus on aspects such as customer analysis, customized services and customer rebate activities, with an aim to enhance customers' satisfaction towards such activities. In 2016, the Group further promoted comprehensive and stringent budget management to avoid expense overrun. Meanwhile, through coordination, the Group substantially improved its performance in terms of acquiring resources from brand crossover cooperation, streamlining marketing expenses and enhancing management transparency. In addition, the Group will spare no effort in continuing to enhance the brand awareness and reputation of "Sunfonda" and will pay more attention and step up its investment in this aspect in the second half of 2016. It is expected that Sunfonda's principle of "People – Automobile – Health" will become more deeply rooted in everyone's mind.

Looking into the future, the Group will continue to leverage on its brand influence and geographical advantages, and exert greater efforts in enhancing new business models on the basis of the steady development in traditional business to boost profitability. The Group will also continue to pay attention to customers' needs, so as to proactively enhance customers' satisfaction. Consistent efforts will also be made to monitor and manage the depth of inventory of new automobiles and spare parts to accelerate inventory turnover and reduce financial expenses. Moreover, the Group will focus on improving the performance of various key indicators for derivative businesses, and strive to maintain and further enhance performance of key business objectives such as penetration rate of insurance business, replacement rate of used automobile, penetration rate of financing and credit business and penetration rate of decoration services. By continuing to pay attention to maintaining customers' loyalty, we are confident that the Group will be able to prevail under the competitive market environment and eventually become a more comprehensive supplier of automobile and lifestyle services, create greater values for the shareholders and realize sustainable and solid development of the Company.

EQUITY INTEREST

As at 30 June 2016, the authorized share capital of the Company was US$100,000 divided into 1,000,000,000 shares, of which 600,000,000 shares were issued and credited as fully paid.

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

As at 30 June 2016, the interests of the directors of the Company (the "**Directors**") in the shares of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Notes	Number of Shares	Approximate Percentage* of Shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1	359,284,000	59.88%
Ms. Chiu Man	Interest held by controlled corporations	1	359,284,000	59.88%
Mr. Jia Ruobing	Beneficiary of a trust	2	230,000	0.04%
	Beneficial owner		80,000	0.01%
			310,000	0.05%
Mr. Xia Kun	Beneficiary of a trust	3	110,000	0.02%
	Beneficial owner		40,000	0.01%
			150,000	0.03%

Notes:

(1) These shares are held as to 351,000,000 shares by Top Wheel Limited ("**Top Wheel**") and 8,284,000 shares by Westernrobust Company Limited ("**Westernrobust**").

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

The entire issued share capital of Westernrobust is owned by a revocable discretionary trust (the "**Management Trust**") established for the purposes of recognizing and rewarding the contribution and performance of certain directors and senior management of the Group pursuant to the Pre-IPO Share Award Scheme adopted by the Company on 8 January 2014 (the "**Pre-IPO Share Award Scheme**"). Top Wheel is the settlor of the Management Trust and possesses all voting rights attached to the unawarded shares and awarded shares which have not vested under the Management Trust. Thus, the Management Trust and Top Wheel are deemed to be interested in the 8,284,000 shares held by Westernrobust. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are also deemed to be interested in the 8,284,000 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 230,000 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 110,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 30 June 2016.

(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), through her wholly owned investment company, Win Force. As Top Wheel holds more than 50% of the issued share capital of the Company and Golden Speed holds more than 50% of the issued share capital of Top Wheel, Top Wheel and Golden Speed are the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of issued shares of the associated corporation as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2016, the following corporations had interests of 5% or more of the issued share capital of the Company which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Notes	Number of Shares	Approximate Percentage* of Shareholding in the Company
Top Wheel Limited	Beneficial owner	1	351,000,000	58.50%
	Founder of a discretionary trust	1	8,284,000	1.38%
			359,284,000	59.88%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	359,284,000	59.88%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	359,284,000	59.88%
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 was also disclosed as the interest of each of Mr. Wu Tak Lam and Ms. Chiu Man in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, no person, other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme was adopted by the Company on 8 January 2014. For the implementation of the Pre-IPO Share Award Scheme, the Management Trust was established on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. 9,000,000 shares of the Company were transferred to the Management Trust for nil consideration on the same date pursuant to the Pre-IPO Share Award Scheme. As of 30 June 2016, the Company has granted an aggregate of 2,474,000 shares to grantees in accordance with the Pre-IPO Share Award Scheme. Details of the Pre-IPO Share Award Scheme were disclosed in the Company's Prospectus and Note 17(i) to the interim condensed consolidated financial statements.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Board believes effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and enhance the interests of the shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board is of the view that, during the Period, the Company has complied with the code provisions set out in the CG Code.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director is set out as follow: Mr. Liu Jie has been appointed as an independent director of Jiangsu Changbao Steeltube Co., Ltd. (stock code: 002478) and Tatwah Smartech Co., Ltd. (stock code: 002512), both companies are listed on the Shenzhen Stock Exchange, in April 2016.

CHANGE OF SENIOR MANAGEMENT OF THE COMPANY

Mr. Cheng Wai Ho has ceased to be the Chief Financial Officer of the Company effective from 1 April 2016. Ms. Chen Wei (陳瑋), the financial controller of the Company, is temporarily responsible for the function of this position. The Company is now in the process of identifying suitable candidate to serve as the new Chief Financial Officer.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2016, 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 of the Company has reviewed the accounting standards and practices that the Company adopted, and discussed matters related to internal control and financial reporting. The audit committee has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code, Appendix 10 to the Listing Rules, as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, all of them confirmed that they had complied with the Model Code throughout the six months ended 30 June 2016.

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

The Company has established written guidelines for the relevant employees of the Company (the "**Relevant Employees**") in respect of their dealings in the securities of the Company (the "**Written Guidelines**") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company for the six months ended 30 June 2016.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Revenue	5(a)	**3,570,481**	3,700,187
Cost of sales and services	6(b)	**(3,340,743)**	(3,441,790)
Gross profit		**229,738**	258,397
Other income and gains, net	5(b)	**60,890**	59,774
Selling and distribution expenses		**(120,957)**	(124,574)
Administrative expenses		**(92,341)**	(87,204)
Profit from operations		**77,330**	106,393
Finance costs	7	**(46,018)**	(65,422)
Profit before tax	6	**31,312**	40,971
Income tax expense	8	**(14,458)**	(8,233)
Profit for the period		**16,854**	32,738
Attributable to:			
Owners of the parent		**17,147**	33,236
Non-controlling interests		**(293)**	(498)
		16,854	32,738
Earnings per share attributable to ordinary equity holders of the parent	10		
Basic and diluted (RMB)		**0.03**	0.06

The accompanying notes on pages 34 to 54 form an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
PROFIT FOR THE PERIOD	**16,854**	32,738
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**6,358**	(404)
Total comprehensive income for the period, net of tax	**23,212**	32,334
Attributable to:		
Owners of the parent	**23,505**	32,832
Non-controlling interests	**(293)**	(498)
	23,212	32,334

The accompanying notes on pages 34 to 54 form an integral part of the interim condensed consolidated financial statements.

	Notes	**30 June 2016 Unaudited RMB'000**	31 December 2015 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**923,387**	928,746
Land use rights		**255,952**	259,531
Intangible assets		**3,425**	3,525
Prepayments		**94,561**	100,461
Goodwill		**510**	510
Deferred tax assets		**33,575**	29,809
Total non-current assets		**1,311,410**	1,322,582
CURRENT ASSETS			
Inventories	11	**742,848**	692,609
Trade receivables	12	**44,198**	51,064
Prepayments, deposits and other receivables	13	**708,629**	638,119
Amounts due from a related party	22(b)	**25,688**	28,672
Available-for-sale investments		**–**	33,512
Pledged bank deposits		**242,890**	269,400
Cash in transit		**28,741**	29,288
Cash and cash equivalents		**912,994**	933,157
Total current assets		**2,705,988**	2,675,821
CURRENT LIABILITIES			
Bank loans and other borrowings	14	**1,461,270**	1,529,675
Trade and bills payables	15	**543,088**	466,689
Other payables and accruals		**270,586**	281,173
Income tax payable		**25,977**	26,136
Total current liabilities		**2,300,921**	2,303,673
NET CURRENT ASSETS		**405,067**	372,148
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,716,477**	1,694,730
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	14	**93,250**	96,000
NET ASSETS		**1,623,227**	1,598,730

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2016

	Notes	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**377**	377
Reserves	18	**1,618,595**	1,593,805
		1,618,972	1,594,182
Non-controlling interests		**4,255**	4,548
Total equity		**1,623,227**	1,598,730

Director: Wu Tak Lam

Director: Chiu Man

The accompanying notes on pages 34 to 54 form an integral part of the interim condensed consolidated financial statements.

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	377	347,058	125,420	60,333	157,947	3,248	24,185	875,614	1,594,182	4,548	1,598,730
Profit for the period	–	–	–	–	–	–	–	17,147	17,147	(293)	16,854
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	6,358	–	6,358	–	6,358
Total comprehensive income for the period	–	–	–	–	–	–	6,358	17,147	23,505	(293)	23,212
Equity-settled share award expense (note 6)	–	–	–	–	–	1,285	–	–	1,285	–	1,285
At 30 June 2016 (Unaudited)	377	347,058	125,420	60,333	157,947	4,533	30,543	892,761	1,618,972	4,255	1,623,227

	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 2015	377	347,058	125,420	55,521	157,947	1,512	4,766	854,510	29,819	1,576,930	5,337	1,582,267
Profit for the period	–	–	–	–	–	–	–	33,236	–	33,236	(498)	32,738
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(404)	–	–	(404)	–	(404)
Total comprehensive income for the period	–	–	–	–	–	–	(404)	33,236	–	32,832	(498)	32,334
Equity-settled share award expense (note 6)	–	–	–	–	–	942	–	–	–	942	–	942
Final 2014 dividend declared	–	–	–	–	–	–	–	–	(29,819)	(29,819)	–	(29,819)
At 30 June 2015 (Unaudited)	377	347,058	125,420	55,521	157,947	2,454	4,362	887,746	–	1,580,885	4,839	1,585,724

The accompanying notes on pages 34 to 54 form an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Operating activities			
Profit before tax		**31,312**	40,971
Adjustments for:			
Depreciation of items of property, plant and equipment	6(c)	**48,193**	53,013
Amortisation of land use rights	6(c)	**3,579**	2,784
Amortisation of intangible assets	6(c)	**329**	316
Interest income	5(b)	**(3,301)**	(5,100)
Net loss on disposal of items of property, plant and equipment	5(b)	**10,664**	6,778
Equity-settled share award expense	6(a)	**1,285**	942
Finance costs	7	**46,018**	65,422
Write back of long-aged advance from customers	5(b)	**(1,247)**	(2,490)
		136,832	162,636
Decrease in pledged bank deposits		**26,510**	135,182
Decrease in cash in transit		**547**	13,846
Decrease/(increase) in trade receivables		**6,866**	(10,107)
Increase in prepayments, deposits and other receivables		**(71,003)**	(126,927)
(Increase)/decrease in inventories		**(50,239)**	16,493
Increase/(decrease) in trade and bills payables		**76,399**	(133,898)
(Decrease)/increase in other payables and accruals		**(7,858)**	3,040
Decrease/(increase) in amounts due from a related party		**2,984**	(11,387)
Cash generated from operations		**121,038**	48,878
Tax paid		**(18,383)**	(23,939)
Net cash generated from operating activities		**102,655**	24,939

The accompanying notes on pages 34 to 54 form an integral part of the interim condensed consolidated financial statements.

	Notes	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Investing activities			
Purchase of items of property, plant and equipment		(103,750)	(147,328)
Proceeds from disposal of items of property, plant and equipment		54,670	59,855
Purchase of land use rights		–	(10,448)
Purchase of intangible assets		(229)	(9)
Interest received		3,301	5,100
Acquisition of a subsidiary	19	–	(10,096)
Proceeds from disposal of available-for-sale investments		33,512	20,000
Dividends paid		–	(29,819)
Net cash used in investing activities		(12,496)	(112,745)
Financing activities			
Proceeds from bank loans and other borrowings		2,744,391	2,997,793
Repayment of bank loans and other borrowings		(2,815,546)	(2,875,909)
Interest paid		(46,018)	(65,422)
Net cash (used in)/generated from financing activities		(117,173)	56,462
Net decrease in cash and cash equivalents		(27,014)	(31,344)
Cash and cash equivalents at the beginning of each period		933,157	886,966
Effect of foreign exchange rate changes, net		6,851	(407)
Cash and cash equivalents at the end of each period		912,994	855,215

The accompanying notes on pages 34 to 54 form an integral part of the interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year end 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").The interim condensed consolidated financial statements were presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. The interim condensed consolidated financial statements have not been audited.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016, noted below.

(a) New and amended standards adopted by the Group

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning 1 January 2016.

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKAS 1	*Disclosure Initiative*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2016 and have not been early adopted:

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 2	*Classification and Measurement of the Share-based Payment Transactions*[2]
HKFRS 16	*Leases*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017

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

3 Effective for annual periods beginning on or after 1 January 2019

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

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

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 area

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Revenue from the sale of motor vehicles	3,166,951	3,311,777
Others	403,530	388,410
	3,570,481	3,700,187

(b) Other income and gains, net:

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Commission income	57,520	46,536
Logistics and storage income	8,468	9,200
Interest income	3,301	5,100
Net loss on disposal of items of property, plant and equipment	(10,664)	(6,778)
Write back of long-aged advance from customers	1,247	2,490
Others	1,018	3,226
	60,890	59,774

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	64,018	61,354
Equity-settled share award expense	1,285	942
Other welfare	10,691	9,881
	75,994	72,177
(b) Cost of sales and services:		
Cost of sales of motor vehicles	3,117,106	3,240,087
Others*	223,637	201,703
	3,340,743	3,441,790

* There were employee benefit expenses of RMB19,036,000 (six months ended 30 June 2015: RMB17,639,000) included in the cost of sales and services.

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
(c) Other items		
Depreciation of items of property, plant and equipment	48,193	53,013
Amortisation of land use rights	3,579	2,784
Amortisation of intangible assets	329	316
Advertisement and business promotion expenses	28,716	25,763
Lease expenses	4,975	6,861
Bank charges	5,532	3,637
Office expenses	9,668	11,112
Logistics expenses	4,334	4,291
Net loss on disposal of items of property, plant and equipment	10,664	6,778

7. FINANCE COSTS

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Interest expense on bank borrowings wholly repayable within five years	**36,501**	57,418
Interest expense on other borrowings	**9,517**	8,004
	46,018	65,422

8. INCOME TAX

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Current Mainland China corporate income tax	**18,224**	20,314
Deferred tax	**(3,766)**	(12,081)
	14,458	8,233

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% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

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%.

9. DIVIDENDS

The Board of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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

The calculation of the basic earnings per share for the six months ended 30 June 2016 is based on the profit for the period attributable to owners of parent, and the weighted average number of ordinary shares of 600,000,000 in issue during the period.

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

	For the six months ended 30 June 2016 Unaudited RMB'000	For the six months ended 30 June 2015 Unaudited RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**17,147**	33,236

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Shares		
Weighted average number of ordinary shares in issue during the period	**600,000,000**	600,000,000
Earnings per share		
Basic and diluted (RMB)	**0.03**	0.06

11. INVENTORIES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Motor vehicles (at cost or at net realizable value)	**681,606**	626,258
Spare parts and accessories (at cost)	**61,242**	66,351
	742,848	692,609

As at 30 June 2016, certain of the Group's inventories with an aggregate carrying amount of approximately RMB370,230,000 (31 December 2015: RMB312,282,000) were pledged as security for the Group's bank loans and other borrowings (note 14).

As at 30 June 2016, certain of the Group's inventories with an aggregate carrying amount of approximately RMB406,332,000 (31 December 2015: RMB291,715,000), were pledged as security for the Group's bills payables (note 15).

12. TRADE RECEIVABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade receivables	**44,198**	51,064

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.

12. TRADE RECEIVABLES *(continued)*

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Within 3 months	**32,328**	39,164
More than 3 months but less than 1 year	**8,898**	10,849
Over 1 year	**2,972**	1,051
Total	**44,198**	51,064

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Prepayments and deposits to suppliers	**415,122**	355,266
Vendor rebate receivables	**204,654**	235,307
VAT receivables [(i)]	**33,087**	11,146
Others	**55,766**	36,400
Total	**708,629**	638,119

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.

14. BANK LOANS AND OTHER BORROWINGS

	30 June 2016 Unaudited RMB'000		31 December 2015 Audited RMB'000	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	1.4-7.0	1,310,641	1.4-7.4	1,336,512
Other borrowings	5.6-7.9	150,629	5.6-7.9	193,163
		1,461,270		1,529,675
NON-CURRENT:				
Bank loans	5.0-7.4	93,250	6.9-7.4	96,000
		1,554,520		1,625,675
Bank loans and other borrowings represent:				
–secured loans		1,404,520		1,191,839
–unsecured loans		150,000		433,836
		1,554,520		1,625,675

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Analysed into:		
Bank loans repayable		
Within one year	1,310,641	1,336,512
In the second year	84,000	75,500
In the third to fifth years, inclusive	9,250	20,500
	1,403,891	1,432,512
Other borrowings repayable		
Within one year	150,629	193,163
Total	1,554,520	1,625,675

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

(a) As at 30 June 2016, certain of the Group's bank loans and other borrowings are secured by:

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB171,360,000 (31 December 2015: RMB160,332,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB283,173,000 (31 December 2015: RMB258,613,000);

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB370,230,000 (31 December 2015: RMB312,282,000).

(b) As at 31 December 2015, certain of the Group's bank and other borrowings were secured by mortgages over the Group's available-for-sale investments, which had an aggregate carrying value of approximately RMB33,512,000.

15. TRADE AND BILLS PAYABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade payables	**101,935**	110,127
Bills payable	**441,153**	356,562
Trade and bills payables	**543,088**	466,689

15. TRADE AND BILLS PAYABLES *(continued)*

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Within 3 months	**391,993**	418,780
3 to 6 months	**121,198**	37,704
6 to 12 months	**26,997**	7,993
Over 12 months	**2,900**	2,212
Total	**543,088**	466,689

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

As at 30 June 2016, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB406,332,000 (31 December 2015: RMB291,715,000) (note 11).

As at 30 June 2016, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB242,890,000 (31 December 2015: RMB269,400,000) .

16. SHARE CAPITAL

Issued and fully paid

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

17. SHARE-BASED PAYMENTS

(i) 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 ("**Prospectus**"), 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 Prospectus) 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. The vesting in full of the share award would, under the present capital structure of the company, have no impact on the additional ordinary shares of the company.

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

	2016 Number of awarded shares '000	2015 Number of awarded shares '000
At 1 January	**2,002**	2,040
Granted during the period	**780**	–
Forfeited during the period	**–**	(400)
Vested during the period	**(308)**	(408)
At 30 June	**2,474**	1,232

Under the Pre-IPO Share Award Scheme, the 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.

17. SHARE-BASED PAYMENTS *(continued)*

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

Particulars of awarded shares as at 30 June 2016 and 31 December 2015 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at 30 June 2016 '000	Number of outstanding shares as at 31 December 2015 '000
5 years	15 May 2014	3.76	774	1,082
5 years	2 July 2015	2.95	920	920
5 years	6 February 2016	2.54	780	–
			2,474	2,002

The fair value of the share awards granted was RMB8,241,000 (six months ended 30 June 2015: RMB4,735,000) for the period ended 30 June 2016, of which the Group recognised a share awards expense of RMB1,285,000 (six months ended 30 June 2015: RMB942,000) during the six months ended 30 June 2016.

The fair value of share awards 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 2,474,000 awarded shares (31 December 2015: 2,002,000) outstanding under the Pre-IPO Share Award Scheme.

17. SHARE-BASED PAYMENTS *(continued)*

(ii) Share Option Scheme

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

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.

No share options were granted under the Share Option Scheme during the period ended 30 June 2016 (30 June 2015:Nil).

18. RESERVES

(i) Statutory reserve

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

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(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.

19. BUSINESS COMBINATION

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

The fair values of the identifiable assets and liabilities of Yinchuan Shunchi Lujie as at the date of acquisition were as follows:

	Fair values recognised on acquisition RMB'000
Prepayment for purchase of land use rights	9,586
Cash and cash equivalents	4
Total identifiable net assets	9,590
Goodwill on acquisition	510
Total purchase consideration	10,100

An analysis of the cash flows in respect of the acquisition of Yinchuan Shunchi Lujie is as follows:

	RMB'000
Cash consideration paid	(10,100)
Cash and cash equivalents acquired	4
Net cash outflow	(10,096)

Since the acquisition, the acquired business had not generated revenue and contributed a loss of RMB135,340 to the consolidated profit for the period ended 30 June 2016 (six months ended 30 June 2015: RMB125,901).

20. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

21. COMMITMENTS

(a) Capital commitments

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Contracted, but not provided for land use rights and buildings	45,343	60,091

(b) Operating lease commitments

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

	30 June 2016 Unaudited		31 December 2015 Audited	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within 1 year	3,034	3,622	5,207	3,622
After 1 year but within 5 years	6,808	15,107	11,996	14,998
After 5 years	8,896	3,954	12,833	5,874
	18,738	22,683	30,036	24,494

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.

22. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

(a) Transactions with related parties

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

	30 June 2016 Unaudited RMB'000	30 June 2015 Unaudited RMB'000
Yangzhou Sunfonda Automobile Co., Ltd. [(i)]	**5,009**	16,819

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

(b) Balances with related parties

(i) Due from a related party:

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade related		
Yangzhou Sunfonda Automobile Co., Ltd.	**25,688**	28,672

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

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

	30 June 2016 Unaudited RMB'000	30 June 2015 Unaudited RMB'000
Short term employee benefits	**1,347**	1,657
Equity-settled share award expense	**181**	692
Post-employment benefits	**68**	72
Total compensation paid to key management personnel	**1,596**	2,421

23. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

30 June 2016

	Loans and receivables Unaudited RMB'000
Trade receivables	**44,198**
Financial assets included in prepayments, deposits and other receivables	**260,420**
Amounts due from a related party	**25,688**
Pledged bank deposits	**242,890**
Cash in transit	**28,741**
Cash and cash equivalents	**912,994**
	1,514,931

23. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial assets *(continued)*

31 December 2015

	Available-for-sale financial assets Audited RMB'000	Loans and receivables Audited RMB'000
Trade receivables	–	51,064
Financial assets included in prepayments, deposits and other receivables	–	271,707
Amounts due from a related party	–	28,672
Available-for-sale investments	33,512	–
Pledged bank deposits	–	269,400
Cash in transit	–	29,288
Cash and cash equivalents	–	933,157
	33,512	1,583,288

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade and bills payables	**543,088**	466,689
Financial liabilities included in other payables and accruals	**95,243**	126,874
Bank loans and other borrowings	**1,554,520**	1,625,675
	2,192,851	2,219,238

24. 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, financial liabilities included in other payables and accruals and amounts due from 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 30 June 2016 was assessed to be insignificant.

At the end of the period, there was no financial asset or liability measured at fair value (31 December 2015: the fair values of available-for-sales investment are based on quoted market prices (level 1)).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2015: Nil).

25. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2016.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 August 2016.