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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

2017
INTERIM REPORT

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. Gou Xinfeng

Independent Non-executive Directors

Mr. Liu Jie
Mr. Song Tao
Dr. Liu Xiaofeng

AUDIT COMMITTEE

Mr. Liu Jie *(Chairman)*
Mr. Song Tao
Dr. Liu Xiaofeng

REMUNERATION COMMITTEE

Mr. Song Tao *(Chairman)*
Mr. Liu Jie
Dr. Liu Xiaofeng

NOMINATION COMMITTEE

Mr. Wu Tak Lam *(Chairman)*
Mr. Liu Jie
Mr. Song Tao
Dr. Liu Xiaofeng

FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam *(Chairman)*
Ms. Chiu Man
Mr. Liu Jie

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam
Ms. 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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PRC LEGAL ADVISER

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PRC

HONG KONG LEGAL ADVISER

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AUDITORS

Ernst & Young
Certified Public Accountants
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PRINCIPAL BANKERS

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Xi'an City, Shaanxi Province
PRC

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PRC

STOCK CODE

01771

WEBSITE

www.sunfonda.com.cn

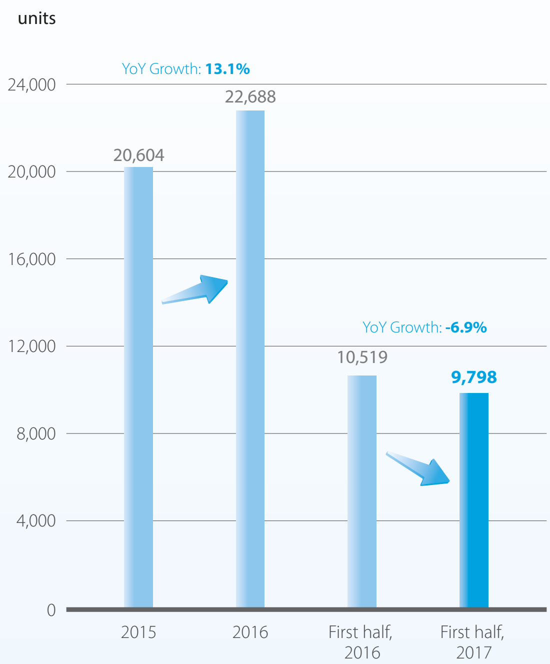
FINANCIAL HIGHLIGHTS

During the period of 1 January to 30 June 2017 (the "**Period**"), the Company has recorded:

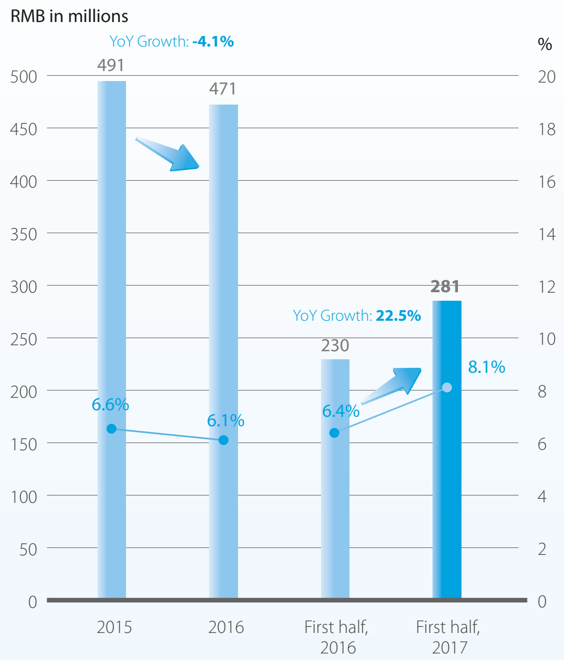
- Operating revenue of RMB3,474.5 million, which was down by 2.7% from the same period last year, including:
    - Automobile sales, which was down by 6.9% in volume to 9,798 units, and sales revenue was down by 3.5% to RMB3,055.8 million; and
    - Revenue from after-sales services, which was up by 3.8% to RMB418.7 million.
- Gross profit of RMB281.4 million, which was up by 22.5% from the same period last year.
- Gross profit margin was up by 1.7 percentage points to 8.1% (30 June 2016: 6.4%).
- Profit attributable to owners of the parent for the Period was up by 311.7% to RMB70.4 million (30 June 2016: RMB17.1 million).
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was up by 300.0% to RMB0.12 for the Period as compared to RMB0.03 for the same period last year.

FINANCIAL HIGHLIGHTS

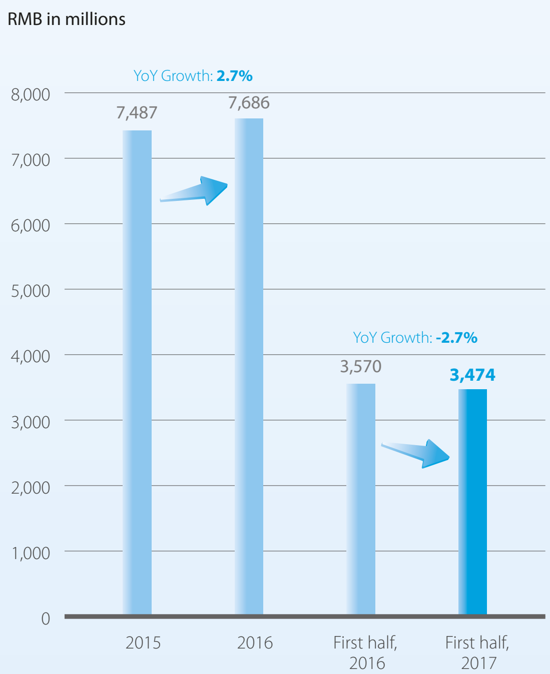
Sale volume of passenger vehicles



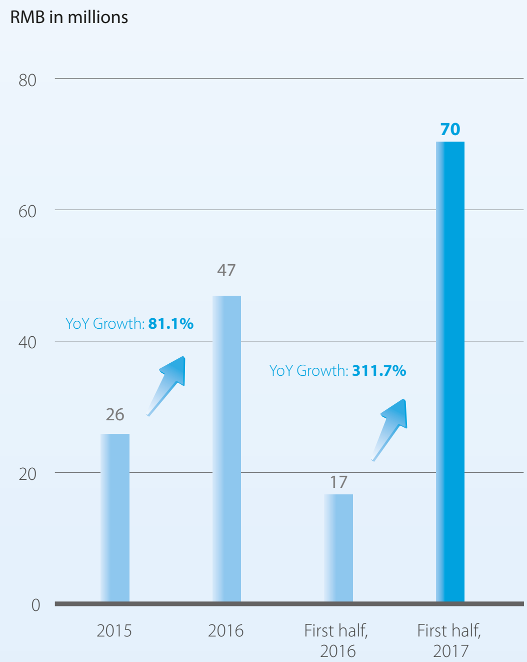
Gross profit and gross profit margin



Revenue



Profit attributable to owners of the Company



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Sunfonda Group Holdings Limited (the "**Company**"), I am pleased to present the interim report of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017.

According to the data published by the National Bureau of Statistics of the People's Republic of China, the GDP in the first half of 2017 was better than expected and reached RMB38.14 trillion, up by 6.9% year-on-year in terms of comparable prices and representing an increase of 0.2 percentage point as compared to the same period last year. As shown by the statistics published by the China Association of Automobile Manufacturers, domestic automobile sales reached 13,354,000 units in the first half of 2017, representing an increase of 3.8% which was down by 4.3 percentage points from the same period of 2016. Sales volume of passenger vehicles reached 11,253,000 units in the first half of 2017, up by 1.6% year-on-year. The growth rate was slightly slow down and 2.2 percentage points lower than the overall sales volume of automobiles.

In the first half of 2017, the domestic automobile industry sustained stable momentum of growth with severe differentiation in performance among various brands. The Group proactively conducted analysis on automobile market changes and brand development strategies, and made forward-looking adjustments and improvements on its brand development and internal operational management based on its own circumstances. The Group also improved its internal efficiency by continuously strengthening its refined management and optimizing internal management system while maintaining constant focus on cost control and inventory and capital management. Meanwhile, the Group strengthened the communication with manufacturers and closely monitored the market development trend and brand business policy. During the Period under review, the major brands operated by the Group, such as Porsche, Benz, Lexus and Cadillac, posted improved performance as compared with the second half of 2016. For the six months ended 30 June 2017, the sales volume of new automobiles reached 9,798 units, down by 6.9% year-on-year; revenue from after-sales services amounted to RMB418.7 million, up by 3.8% year-on-year; gross profit amounted to RMB281.4 million, representing an increase of 22.5% as compared to the corresponding period last year; profit after tax increased by 311.7% to RMB70.4 million, as compared with that of RMB17.1 million in the corresponding period last year; earnings per share was RMB0.12, representing an increase of RMB0.09 per share as compared with the corresponding period last year.

In view of the continuing competition among automobile dealers, brands and regional markets, the Group kept reinforcing and enhancing the quality of the principal businesses of sales and after-sales services, and further increased the proportion of decoration, credit and used automobile agency services to the overall business. Meanwhile, while ensuring the existing advantageous brands and stable regional operations, the Group proactively conducted analysis on automobile market changes, made adjustments to brand structure, and took prudent approach in selecting and introducing new brands with market potential. During the Period under review, the Group obtained one brand license from each of Audi, GAC Toyota, Guangqi Honda and SAIC Volkswagen. In addition, the 4S dealership stores of Lexus in Yan'an and Škoda in Xi'an were put into operation in the first half of 2017. The Group's 4S dealership stores of Land Rover in Yinchuan, Lexus in Yangzhou and FAW-Volkswagen in Xi'an, which were approved and under construction, will be put into operation in the third quarter of 2017. The above new brand licenses further diversified and optimized the brand portfolio of the Group. As of 30 June 2017, the Group had a total of 28 sale points in operation.

As for internal management, the Group continued to implement the profit-oriented operational management and assessment system in the first half of 2017. Other than assessments at all levels for sales of new automobile, after-sales services and automobile after-sales market business, the Group actively explored new business models to ensure maximum profit in all its operational activities. While improving the internal operational management system, the Group continued to strengthen the performance of underlying business processes, supervising and inspecting the operation effectiveness, the training on business skills as well as talent nurture. Meanwhile, the Group continued to focus on customer satisfaction and shopping experience by further analyzing its customer base and understanding customer preferences. In the first half of 2017, a series of targeted customer care and retention campaigns were carried out, which significantly enhanced the stickiness and loyalty of the Group's customers and laid a solid customer base for the Group's business development in the future.

Looking into the future, the automobile sector will face continuing challenges brought by further consolidation and multiple emerging models. The Group will continue to strengthen its existing brand influence and regional advantages to actively explore new automobile operation models and profit growth points. The Group will also continue to maintain close communication and cooperation with brand manufacturers, enhance the standard of internal management and service quality, as well as optimize resources allocation and make best use of its resources. For the development model, the Group will continue to strengthen the automobile value-added business other than the principal businesses of sales and after-sales services. In the second half of 2017, the Group will step up its effort to push forward the research and development as well as the implementation of used automobile system platform. Meanwhile, with the "Big Xi'an" (大西安) initiative proposed by the Chinese government, the Group will also carry out the planning and building of characteristic towns when and as appropriate, with a view to further enhancing the market influence and comprehensive strengths of the Group.

In the face of competition, we are convinced that potential of the PRC automobile consumption market is still enormous. The luxury brands operated by the Group still possess strong growth potential in the markets of Northwestern China. By continually maintaining our existing advantages of geographical location and brand, we will continue to enhance our internal management, ensure our operational quality and innovate business models so as to provide our customers with one-stop automobile experience and service, thereby enhancing the Group's market reputation. In addition, the Group will continue to pursue the development directions of making prudent investments and reasonable planning to enhance its core competitiveness so as to foster 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 admirable achievement of the Group during the first half of 2017. 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

28 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2017, China's economy maintained steady and sound development. As the service industries and consumption remained as the greatest contributor and new momentum played greater role, the quality of economic growth was further enhanced, and the overall trend was better than expected. The GDP for the first half of the 2017 was better than expected and reached RMB38.14 trillion, up by 6.9% year-on-year in terms of comparable prices and an increase of 0.2 percentage point as compared to the same period last year.

Consumption Demand Remained as the Main Driver for Economic Growth

In the first half of 2017, the contribution of final consumption expenditure to economic growth still played a key role whereas consumption structure continued to transform and upgrade. The contribution rates of final consumption, capital formation and external demand were 63.4%, 32.7% and 3.9%, respectively. Among which, consumption still contributed the most. As for consumption, services consumption recorded the fastest growth. In the first half of 2017, the per capita expenditure of residents grew faster in upgrade consumption and services consumption, including transport, education, culture and entertainment, medical and healthcare, recording growth rates of 9.6%, 10.0% and 11.9%, respectively.

As the Development of Urban and Rural Markets Became More Balanced, the Regional Disparity Continued to Narrow Down

In recent years, the consumption power of residents improved and potential was unleashed, propelled by the rapid development of the economy and commercial infrastructures in Central and Western China, therefore the consumption market of Central and Western China maintained a relatively rapid growth. During the first half of 2017, the total retail sales of consumer goods in Central and Western China recorded a growth of 11.3%, which was 0.9 percentage point higher than the national level. The total retail sales of consumer goods in Central and Western China accounted for 39.9% of the total retail sales of consumer goods in the country, representing an increase of 0.5 percentage point over the corresponding period of last year. The GDP growth rates in Shaanxi and Gansu were over 10%; the GDP growth rates in Ningxia and Beijing were over 8.4%; the GDP growth rate in Jiangsu was nearly 9.3%. The GDP in the regions where Sunfonda Group's stores operate recorded higher-than-average growth rates nationwide.

Performance of Passenger Vehicle Market During the First Half of 2017

In the first half of 2017, a total of 11,253,000 units of passenger vehicles were sold in China, up by 1.6% year-on-year. Among which, the sales volume of sedans amounted to 5,399,000 units, representing a decrease of 3.2% year-on-year; the sales volume of MPV was 1,011,000 units, down by 15.8% year-on-year. The sales volume of SUV reached 4,527,000 units, representing a year-on-year increase of 16.8%. As for luxury brands, the sales volume amounted to 35,864 units of Porsche, 304,017 units of Mercedes Benz and Smart, 80,795 units of Cadillac, 60,511 units of Lexus and 253,635 units of Audi, which represented increases of 18%, 34%, 71%, 31% and a decrease of 12%, respectively as compared with the corresponding period of 2016.

1. **With the year-on-year increase in market share of luxury automobile, the transformation and upgrade of automobile consumption underpinned the continuous development of the automobile industry**

With the growing residents' income, the consumption pattern of automobile in China is gradually upgrading from low-end to high-end models. The sales and proportion of luxury automobile continued to increase and percentage of the sales volume of luxury automobile in the total sale volume of passenger vehicles increased to 8.9%; the sales growth of luxury automobile was far higher than the overall sales growth of passenger vehicles, indicating the robust demand for luxury automobile in China.

2. **As the preferential purchase tax policy continues, there is still growth potential of automobile sales**

In December 2016, the Ministry of Finance and the State Administration of Taxation of the People's Republic of China announced that from 1 January to 31 December 2017, the automobile purchase tax on the purchase of 1.6 liters or lower passenger vehicles shall be levied at the reduced rate of 7.5%. It is expected that the automobile sales in 2017 will continue to maintain steady growth.

3. **Given the low level of automobile ownership number per capita, a constant increase in demand for automobile is expected**

According to the statistics, the number of China's automobile ownership has grown rapidly since 2008. This, nonetheless, lags behind the world average of 165 units per thousand people, and only accounts for one-sixth of the number in the United States and one-third of the number in Korea. Accordingly, China's automobile industry is still at the stage of popularization in terms of the number of automobile ownership per capita. In the future, a constant increase in demand for automobile is expected and the automobile industry still has a huge room for development.

4. **Used automobile trading demonstrated exponential growth**

General Office of the State Council of the People's Republic of China promulgated the "Several Opinions on Facilitating the Used Automobile Trading" (《關於促進二手車便利交易的若干意見》, also referred to as the "Eight New Measures of the State Council" in the automobile industry), which laid out the overall plan for the circulation of used automobile in eight aspects. The launch of the policy provided strong policy support for the orderly operation and healthy development of used automobile circulation. In the first half of 2017, used automobile trading in China reached 5,837,000 units, up by 21.5% as compared with the corresponding period of last year and showing the enormous development potential of the used automobile market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

During the first half of 2017, the macroeconomy of China continued the overall trend as in the second half of 2016 and remained basically steady. In light of the gradual slowdown in the growth of overall automobile sales volume, the competition in automobile market became increasingly fierce in the first half of 2017 with severe differentiation of performance amongst various brands, bringing numerous changes and challenges to the automobile market.

On reviewing the situation, the Group responded to the market challenges and opportunities under careful planning. On one hand, the Group's overall management efficiency and decision-making level improved greatly through the gradual refining of the management system; meanwhile, the Group nurtured a group of high-caliber talents who would accommodate with the future development. On the other hand, the Group relied on the business expansion and the innovation of profit model in pursuit of sustainable and healthy development by pooling various ideas, actively exploring and embracing challenges. With the joint efforts of all employees, most of our brands achieved more satisfactory performance with a significant improvement in overall profitability. During the Period, the sales volume of new automobiles reached 9,798 units, down by 6.9% from 10,519 units in the corresponding period of 2016; revenue from after-sales services amounted to RMB418.7 million, up by 3.8% from RMB403.5 million in the corresponding period of 2016; gross profit reached RMB281.4 million, representing an increase of 22.5% from RMB229.7 million in the corresponding period of 2016; profit after tax increased by 311.7% to RMB70.4 million, as compared with that of RMB17.1 million in the corresponding period of 2016.

As for automobile sales business, there was severe differentiation in performance among various brands in the first half of 2017. Taking advantage of the competitive edges, some of our brands achieved strong growth and recorded considerable revenue; however, some experienced decline in sales volume and price fluctuation, which partly affected the Group's overall efficiency. In view of this, the Group made prompt adjustments to its operational strategy. Through policy adjustment, process monitoring, capability enhancement of derivative business and effective incentives, the Group effectively avoided losses arising from the decline in sales volume of some brands, which has laid a foundation for the Group to achieve a better revenue growth in the first half of 2017. Furthermore, the Group has always attached great importance to inventory management by developing an early warning mechanism for overdue inventory and a stringent assessment system of inventory management, because of which the Group's overall inventory maintained within a reasonable level.

For after-sales services business, the overall revenue from after-sales services registered a year-on-year growth of 3.8% in the first half of 2017, which, to a large extent, eased the downward trend of our after-sales services business. The Group rolled out plans on the change of profit model for its after-sales services business since the beginning of 2015 and developed various sticky products, which have achieved an account penetration of over 50%. Meanwhile, the Group launched the targeted solicitation to churned customers in the second quarter of 2017, which achieved good results among pilot stores within just two months. By taking these efforts, the overall churn rate of the Group's after-sales services business currently dropped steadily and basically reached the expected targets, laying a solid foundation for the sustainable and steady improvement in the performance of the Group's after-sales services business in the future.

For used automobile business, the Group seized the market opportunities in 2016 and operated the used automobile business in full swing. With efforts over the past one and a half year, the Group has substantially developed the management criteria for the used automobile business. Coupled with the gradual improvement in business structure and the continuous optimization of business model, the overall capability of the Group's used automobile business was enhanced rapidly, delivering satisfactory results.

FINANCIAL REVIEW

Revenue

Revenue for the Period was RMB3,474.5 million, representing a decrease of RMB96.0 million or 2.7% as compared with the corresponding period in 2016. Of which, revenue from the sales of new automobiles was RMB3,055.8 million, representing a decrease of RMB111.2 million or 3.5% as compared to that for the corresponding period in 2016. The decrease in revenue from the sales of new automobiles was mainly attributable to the decrease in sales volume of new automobiles under Audi brand. In addition, revenue from after-sales services was RMB418.7 million, representing an increase of RMB15.2 million or 3.8% as compared to that for the corresponding period in 2016. The increase in revenue from after-sales services was attributable to the increase in business volume through strengthening the 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 87.9% of our revenue for the Period (corresponding period in 2016: 88.7%). During the Period, the remaining part of revenue of the Group was generated from after-sales services, accounting for 12.1% of our revenue for the Period (corresponding period in 2016: 11.3%). 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:

	For the six months ended 30 June					
	2017			2016		
	Amount (RMB'000)	**Sales volume (Unit)**	**Average selling price (RMB'000)**	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of passenger vehicles						
Luxury and ultra-luxury brands	**2,725,433**	**7,506**	**363**	2,817,700	8,002	352
Mid-end market brands	**330,403**	**2,292**	**144**	349,251	2,517	139
Sub-total	**3,055,836**	**9,798**	**312**	3,166,951	10,519	301
After-sales services	**418,658**			403,530		
Total	**3,474,494**			3,570,481		

Cost of sales and services

Cost of sales and services for the Period was RMB3,193.2 million, representing a decrease of RMB147.5 million or 4.4% as compared to that for the corresponding period in 2016. Cost of sales of new automobiles for the Period was RMB2,959.1 million, representing a decrease of RMB158.0 million or 5.1% as compared to that for the corresponding period in 2016. The decrease in cost of sales of new automobiles was attributable to the corresponding decrease in cost of sales resulting from the decrease in sales volume. Meanwhile, the Group received more rebates from manufacturers during the Period, thus the decrease in cost exceeded that of income. Cost of after-sales services for the Period was RMB234.1 million, representing an increase of RMB10.5 million or 4.7% as compared to that for the corresponding period in 2016. 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 RMB281.4 million, representing an increase of RMB51.7 million or 22.5% as compared to that for the corresponding period in 2016. Of which, gross profit of sales of new automobiles was RMB96.8 million, representing an increase of RMB47.0 million or 94.4% as compared to that for the corresponding period in 2016; gross profit of after-sales services business was RMB184.6 million, representing an increase of RMB4.7 million or 2.6% as compared to that for the corresponding period in 2016. Gross profit of after-sales services for the Period accounted for 65.6% of our total gross profit (corresponding period in 2016: 78.3%).

Gross profit margin for the Period was 8.1% (corresponding period in 2016: 6.4%). Of which, gross profit margin for sales of new automobiles was 3.2% (corresponding period in 2016: 1.6%) and gross profit margin for after-sales services was 44.1% (corresponding period in 2016: 44.6%).

Other Net Income and Gains

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 net gains from disposal of property, plant and equipment.

Other net income and gains for the Period amounted to RMB82.2 million, representing an increase of 35.0% as compared with RMB60.9 million for the corresponding period in 2016. The increase was due to: 1) the on-going steady increase in commission income from automobile insurance agency and automobile financing agency business; 2) the significant growth in the scale of the Group's logistics and storage business with FAW-Volkswagen as the new logistics warehouse put into operation, leading to the corresponding increase in revenue; 3) the loss on disposal of property, plant and equipment of approximately RMB8.0 million due to the Group's strategic closure of certain loss-making stores in the first half of 2016.

Selling and Distribution Expenses

Selling and distribution expenses for the Period amounted to RMB136.2 million, representing an increase of 12.6% as compared with RMB121.0 million for the corresponding period in 2016, mainly due to: 1) the increase in staff salary; 2) increase in promotion costs; and 3) inclusion of property tax and land use tax in tax and surcharges.

Administrative Expenses

Administrative expenses for the Period amounted to RMB85.1 million, representing a decrease of 7.8% as compared with RMB92.3 million for the corresponding period in 2016. The decrease in administrative expenses was mainly attributable to the exclusion of property tax and land use tax in tax.

Finance Costs

Finance costs for the Period amounted to RMB38.4 million, representing a decrease of 16.5% as compared with RMB46.0 million for the same period in 2016. The decrease was mainly attributable to the decrease in the scale of current borrowings as compared to the same period in 2016.

Profit Before Tax

As a result of the foregoing, profit before tax for the Period amounted to RMB104.0 million, representing an increase of 232.3% as compared with RMB31.3 million for the corresponding period in 2016.

Income Tax Expense

Income tax expense for the Period amounted to RMB34.2 million, representing an increase of 135.9% as compared with RMB14.5 million for the same period in 2016. The effective income tax rate of the Group for the Period was approximately 32.9%. 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 and the corresponding increase in income tax expense due to the increase in profit.

Profit for the Period

As a result of the foregoing, profit for the Period was RMB69.8 million, representing an increase of 313.0% as compared with RMB16.9 million for the same period in 2016.

Profit for the Period Attributable to Owners of the Parent

For the Period, profit for the Period attributable to owners of the parent was RMB70.4 million, representing an increase of 311.7% as compared with RMB17.1 million for the same period in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the Period, our net cash inflow generated from operating activities was RMB6.1 million, as compared with net cash inflow generated from operating activities of RMB102.7 million for the six months ended 30 June 2016. The decrease at net cash inflow from operating activities was mainly attributable to the increase in initial inventories for new stores and increase in purchases of automobile inventory as a result of increased sales in certain stores.

For the Period, our net cash outflow for investing activities was RMB93.4 million, as compared with net cash outflow for investing activities of RMB12.5 million for the six months ended 30 June 2016. The increase in net cash outflow for investing activities was mainly attributable to the increase in capital expenditure of stores to be opened and the increase in land acquisition.

For the Period, our net cash inflow for financing activities was RMB105.0 million, as compared with net cash outflow for financing activities of RMB117.2 million for the six months ended 30 June 2016. The fluctuation was mainly due to the decrease in repayment of bank borrowing for the Period.

Net Current Assets

As at 30 June 2017, our net current assets amounted to RMB474.9 million, as compared with net current assets of RMB388.3 million as at 31 December 2016. The increase in net current assets was mainly due to the increase in inventories of RMB126.3 million and the increase in pledged bank deposits of RMB36.3 million.

Inventories

Our inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 30 June 2017, our inventories amounted to RMB808.1 million, representing an increase of 18.5% as compared with RMB681.8 million as at 31 December 2016, which was mainly attributable to: 1) the increase in initial inventories for new stores; 2) appropriate increase in inventory in certain stores (which improved the relatively low inventory as at the end of 2016); 3) corresponding increase in inventory as a result of increased sales in certain stores.

In the first half of 2017, 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 42.0 days, which were longer than the 34.3 days in 2016, mainly due to the reasonable increase in inventory turnover days resulting from the increase in inventory.

Bank Loans and Other Borrowings

As at 30 June 2017, our bank loans and other borrowings were RMB1,442.5 million, representing an increase of 12.0% as compared with RMB1,287.5 million as at 31 December 2016, which was mainly attributable to the Group's adjustment of the financing structure and increased financing loans for store opening.

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

	30 June 2017 Unaudited		31 December 2016 Audited	
	Effective interest rate (%)	**Amount RMB'000**	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	**3.3-7.0**	**1,166,019**	1.4-7.0	1,099,160
Other borrowings	**5.6-7.8**	**143,223**	5.6-7.9	128,831
		1,309,242		1,227,991
NON-CURRENT:				
Bank loans	**5.2-5.5**	**133,267**	5.0-7.4	59,500
		1,442,509		1,287,491
Bank loans and other borrowings represent:				
– secured loans		**1,402,509**		1,197,491
– unsecured loans		**40,000**		90,000
Total		**1,442,509**		1,287,491

As at 30 June 2017, our gearing ratio, which is total debt divided by the equity attributable to owners of the parent, was 84.0%. Total debt includes bank loans and other borrowings.

Pledge of Assets

As at 30 June 2017, 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 2017 consisted of: (i) inventories amounting to RMB396.1 million; (ii) property, plant and equipment amounting to RMB269.1 million; (iii) land use rights amounting to RMB173.9 million; and (iv) secured bank deposits, which had an aggregate carrying value of approximately RMB30.0 million.

As at 30 June 2017, certain of our inventories amounting to RMB288.0 million and pledged bank deposits amounting to RMB196.6 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 2017, our total capital expenditures were RMB157.7 million, representing an increase of approximately RMB53.7 million as compared with the RMB104.0 million as of 30 June 2016.

Contingent Liabilities

As at 30 June 2017, 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 swap to hedge its exposure to interest rate risk.

The Group's main 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$, EUR and HK$ and certain bank loans denominated in HK$.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China which had US$ and HK$ as their functional currencies, and the Group did not have material foreign currency transactions in Mainland China during the Period. The Group does not expect material impact on the business from exchange rate fluctuation and has not used any derivative financial instruments to hedge its exposure to foreign exchange risk during the period when RMB exchange rate rises.

Staff Cost and Employee Remuneration Policies

As of 30 June 2017, the Group had 2,459 employees. Staff cost of the Group increased by 9.2% from RMB95.0 million for the six months ended 30 June 2016 to RMB103.7 million for the Period, which was mainly attributable to the increase in sales margin and corresponding increase in performance bonus for staff. 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 maintain 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 team building. 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

Continuous Promotion of Client First Project

The Group always values maintaining and managing its relationship with customers. Following the establishment of Customer Relationship Management Department in 2016, the Group further stepped up its investment in Client First Project in 2017. The Group continuously conducted comprehensive update and analysis on its customer base and further analyzed customers' living areas, interests and preferences, age and industry status, by which the accuracy and integrity of customer information have increased notably. The Group also organised various interactive social activities of high effectiveness with existing customers, which contributed to the enhancement of recognition and loyalty of customers to Sunfonda brand and effectively reduced the customer churn rate whilst laying a solid foundation for the subsequent launch of Sunfonda's owner club. In the second half of 2017, the owner club will start providing a series of activities such as high-end travelling programs tailor-made to Sunfonda's customers, which will be pivotal to raising the customer retention rate.

Digital Marketing and Circle Marketing

In addition to the traditional marketing strategies, the Group devoted more resources in digital and circle marketing. For sales, we stepped up efforts in building the online sales team, which further enhanced the transaction conversion rate of online customers; for business promotion, we adopted the promotion channels of video-taking and WeChat, thereby further broadening and enhancing our promotion channels and pace; for customer loyalty maintenance, we further increased the interaction frequency with customers by developing self-media interaction platforms such as WeChat group for customers, posting positive effect in raising customer satisfaction.

Further Enhancement of Derivative Businesses

The Group has paid ongoing attention to the development of derivative businesses such as decoration, credit and insurance. The Group further strengthened its management and supervision over the new automobile insurance coverage ratio and the warranty renewal insurance coverage ratio. In the first half of 2017, the average insurance coverage ratio of new automobile was approximately 98%. Our innovative plan of warranty renewal package enabled customers to be more willing to purchase subsequent insurance. Such enhancement of businesses played a positive role in driving the revenue from the Company's after-sales business as well as customer satisfaction. Meanwhile, the Group provided various upgrade plans for automobile decoration and renovation, providing customers with opportunities to own an automobile with unique and personalized style.

Used Automobile Business

Given the change in consumption habits among Chinese consumers, the automobile replacement cycle shortened and the replacement frequency further increased. Meanwhile, the gradual relaxation and lifting of the restriction on relocation of used automobiles provided strong support for the circulation of used automobiles. It is therefore expected that the business will have a huge room for development. The Group also established a professional management team to push forward the used automobile business. Looking ahead, our demonstration and trading center for used automobile, when putting into operation, is expected to substantially increase the transaction volume of the Group's used automobile business and ensure the improvement of the overall used automobile business.

Development of Used Automobile Trading System

The Group's e-commerce project team is working on the project relating to the specific research and development of key used automobile trading system. Currently, the development and testing of the system are completed. The system will be officially put into operation following the completion of the demonstration and trading center for used automobile, which will further standardise the trading process, enhance the trading efficiency and improve customer experience.

Greater Opportunities Will Emerge in Regions Covered by Our Network

Driven by rigid demand, the automobile market in Northwestern China has vast potential to be explored. With current implementation of "the Belt and Road" initiative in China, preferential policies for Western China have been increasing. Given the relevant policy support, the Group will secure greater opportunities for development in the region. Following the successful progress of "Big Xi'an" (大西安), a strategic plan launched by the government, Gross Domestic Product of Xi'an is expected to reach RMB one trillion by 2020, likely with a population of 10.7 million, of which, urban population will exceed 8.5 million, and the main urban area of "Big Xi'an" will cover 2,600 square kilometres, which is larger than Beijing and Shanghai. In the coming years, Xi'an will strengthen traffic construction, including 7 metro lines, 2 civil airports and 2 high-speed rail hub stations, among which, the Xi'an North Station will become the largest train station in Asia.

As for the development model, the Chinese government is committed to promoting the planning and building of characteristic towns, which will bring enormous opportunities for the development of the Group in the coming years. Looking ahead, the Group will also carry out the planning and building of characteristic towns as and when appropriate. In addition, the Group has three automobile industrial parks in Xi'an, covering key areas in urban Xi'an, which are ready to provide convenient services to consumers. The Group will continue to strengthen its existing brand influence and regional advantages to focus efforts on developing markets within Jiangsu region and Shaanxi province while actively introducing new brands with brilliant performance in the market so as to enhance the Group's comprehensive strengths. Meanwhile, the Group will also closely monitor and consider the opportunities of merger and acquisition in due course with an aim to further enhance the Group's overall profitability and create greater returns for all shareholders, thereby achieving the sustainable and steady development of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EQUITY INTEREST

As at 30 June 2017, 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 2017, 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	358,726,000	59.79%
Ms. Chiu Man	Interest held by controlled corporations	1	358,726,000	59.79%
Mr. Jia Ruobing	Beneficiary of a trust	2	228,000	0.04%
	Beneficial owner		142,000	0.02%
			370,000	0.06%
Mr. Gou Xinfeng	Beneficiary of a trust	3	130,000	0.02%
	Beneficial owner		20,000	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 7,726,000 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 been vested under the Management Trust. Thus, the Management Trust and Top Wheel are deemed to be interested in the 7,726,000 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 7,726,000 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 228,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

(3) Mr. Gou Xinfeng is deemed to be interested in these 130,000 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 2017.

(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 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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	7,726,000	1.29%
			358,726,000	59.79%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	358,726,000	59.79%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	358,726,000	59.79%
Standard Chartered PLC	Interest held by a controlled corporation	2	90,000,000	15.00%

Notes:

(1) The above interests of Top Wheel, Win Force and Golden Speed were also disclosed as the interests of each of Mr. Wu Tak Lam and Ms. Chiu Man in the above section headed "Directors' and Chief 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 owns 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 2017.

Save as disclosed above, as at 30 June 2017, 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 2017, the Company has granted an aggregate of 5,000,000 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 16 to the interim condensed consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director is set out as follow: Mr. Liu Jie has been appointed as an independent director of Goldcard Smart Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 300349) in May 2017 and Zhongchang Bigdata Corporation Limited (a company listed on the Shanghai Stock Exchange; stock code: 600242) in June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, 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 2017, 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 2017.

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 2017.

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

The Company has established written guidelines for the relevant employees of the Company (the "**Relevant Employees**") in respect of their dealings in the securities of the Company (the "**Written Guidelines**") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employees" include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company for the six months ended 30 June 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	**For the six months ended 30 June 2017 Unaudited RMB'000**	For the six months ended 30 June 2016 Unaudited RMB'000
Revenue	4(a)	**3,474,494**	3,570,481
Cost of sales and services	5(b)	**(3,193,103)**	(3,340,743)
Gross profit		**281,391**	229,738
Other income and gains, net	4(b)	**82,240**	60,890
Selling and distribution expenses		**(136,164)**	(120,957)
Administrative expenses		**(85,068)**	(92,341)
Profit from operations		**142,399**	77,330
Finance costs	6	**(38,374)**	(46,018)
Profit before tax	5	**104,025**	31,312
Income tax expense	7	**(34,182)**	(14,458)
Profit for the period		**69,843**	16,854
Attributable to:			
Owners of the parent		**70,415**	17,147
Non-controlling interests		**(572)**	(293)
		69,843	16,854
Earnings per share attributable to ordinary equity holders of the parent	9		
Basic and diluted (RMB)		**0.12**	0.03

The accompanying notes on pages 33 to 52 form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	For the six months ended 30 June 2017 Unaudited RMB'000	For the six months ended 30 June 2016 Unaudited RMB'000
Profit for the period	**69,843**	16,854
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,261)**	6,358
Total comprehensive income for the period, net of tax	**67,582**	23,212
Attributable to:		
Owners of the parent	**68,154**	23,505
Non-controlling interests	**(572)**	(293)
	67,582	23,212

The accompanying notes on pages 33 to 52 form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2017

	Notes	**30 June 2017 Unaudited RMB'000**	31 December 2016 Audited RMB'000
Non-current assets			
Property, plant and equipment		**920,701**	921,450
Land use rights		**286,275**	290,683
Intangible assets		**3,043**	3,151
Prepayments		**150,584**	97,643
Goodwill		**510**	510
Deferred tax assets		**17,344**	20,774
Total non-current assets		**1,378,457**	1,334,211
Current assets			
Inventories	10	**808,091**	681,809
Trade receivables	11	**45,230**	63,375
Prepayments, deposits and other receivables	12	**559,085**	539,231
Amounts due from a related party	20(b)	**20,500**	21,662
Pledged bank deposits		**226,588**	190,260
Cash in transit		**16,477**	21,526
Cash and cash equivalents		**858,169**	846,206
Total current assets		**2,534,140**	2,364,069
Current liabilities			
Bank loans and other borrowings	13	**1,309,242**	1,227,991
Trade and bills payables	14	**432,469**	426,393
Other payables and accruals		**290,148**	297,825
Income tax payable		**27,424**	23,534
Total current liabilities		**2,059,283**	1,975,743
Net current assets		**474,857**	388,326
Total assets less current liabilities		**1,853,314**	1,722,537
Non-current liabilities			
Bank loans and other borrowings	13	**133,267**	59,500
Net assets		**1,720,047**	1,663,037

	Notes	**30 June 2017 Unaudited RMB'000**	31 December 2016 Audited RMB'000
Equity			
Equity attributable to owners of the parent			
Share capital	15	**377**	377
Reserves	17	**1,716,148**	1,658,566
		1,716,525	1,658,943
Non-controlling interests		**3,522**	4,094
Total equity		**1,720,047**	1,663,037

Director
Wu Tak Lam

Director
Chiu Man

The accompanying notes on pages 33 to 52 form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	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 2017	377	347,058	125,420	65,212	157,947	5,490	39,841	917,598	1,658,943	4,094	1,663,037
Profit for the period	–	–	–	–	–	–	–	70,415	70,415	(572)	69,843
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(2,261)	–	(2,261)	–	(2,261)
Total comprehensive income for the period	–	–	–	–	–	–	(2,261)	70,415	68,154	(572)	67,582
Final 2016 dividend declared	–	(11,616)	–	–	–	–	–	–	(11,616)	–	(11,616)
Equity-settled share award expense (note 16)	–	–	–	–	–	1,044	–	–	1,044	–	1,044
At 30 June 2017 (Unaudited)	377	335,442	125,420	65,212	157,947	6,534	37,580	988,013	1,716,525	3,522	1,720,047

	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 16)	–	–	–	–	–	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

The accompanying notes on pages 33 to 52 form an integral part of the interim condensed consolidated financial statements.

	Notes	**For the six months ended 30 June 2017 Unaudited RMB'000**	For the six months ended 30 June 2016 Unaudited RMB'000
Operating activities			
Profit before tax		**104,025**	31,312
Adjustments for:			
Depreciation of items of property, plant and equipment	5(c)	**46,060**	48,193
Amortisation of land use rights	5(c)	**4,408**	3,579
Amortisation of intangible assets	5(c)	**304**	329
Interest income	4(b)	**(3,321)**	(3,301)
Net (gain)/loss on disposal of items of property, plant and equipment	4(b)	**(2,882)**	10,664
Equity-settled share award expense	5(a)	**1,044**	1,285
Finance costs	6	**38,374**	46,018
Write back of long-aged advance from customers	4(b)	**–**	(1,247)
		188,012	136,832
(Increase)/decrease in pledged bank deposits		**(36,328)**	26,510
Decrease in cash in transit		**5,049**	547
Decrease in trade receivables		**18,145**	6,866
Increase in prepayments, deposits and other receivables		**(16,310)**	(71,003)
Increase in inventories		**(126,282)**	(50,239)
Increase in trade and bills payables		**6,076**	76,399
Decrease in other payables and accruals		**(6,557)**	(7,858)
Decrease in amounts due from a related party		**1,162**	2,984
Cash generated from operations		**32,967**	121,038
Tax paid		**(26,862)**	(18,383)
Net cash generated from operating activities		**6,105**	102,655

The accompanying notes on pages 33 to 52 form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	**For the six months ended 30 June 2017 Unaudited RMB'000**	For the six months ended 30 June 2016 Unaudited RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(148,927)**	(103,750)
Proceeds from disposal of items of property, plant and equipment		**60,992**	54,670
Purchase of land use rights		**(8,555)**	-
Purchase of intangible assets		**(196)**	(229)
Interest received		**3,321**	3,301
Proceeds from disposal of available-for-sale investments		**-**	33,512
Net cash used in investing activities		**(93,365)**	(12,496)
Financing activities			
Proceeds from bank loans and other borrowings		**2,234,948**	2,744,391
Repayment of bank loans and other borrowings		**(2,079,930)**	(2,815,546)
Interest paid		**(38,374)**	(46,018)
Dividends paid		**(11,616)**	-
Net cash generated from/(used in) financing activities		**105,028**	(117,173)
Net increase/(decrease) in cash and cash equivalents		**17,768**	(27,014)
Cash and cash equivalents at the beginning of each period		**846,206**	933,157
Effect of foreign exchange rate changes, net		**(5,805)**	6,851
Cash and cash equivalents at the end of each period		**858,169**	912,994

The accompanying notes on pages 33 to 52 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 Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 May 2014.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 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 2016, 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.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 12

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 40	*Transfers of Investment Property*[1]
HK (IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[1]
HK (IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but 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.

3. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	For the six months ended 30 June 2017 Unaudited RMB'000	For the six months ended 30 June 2016 Unaudited RMB'000
Revenue from the sale of motor vehicles	**3,055,836**	3,166,951
Others	**418,658**	403,530
	3,474,494	3,570,481

(b) Other income and gains, net:

	For the six months ended 30 June 2017 Unaudited RMB'000	For the six months ended 30 June 2016 Unaudited RMB'000
Commission income	**61,620**	57,520
Logistics and storage income	**13,186**	8,468
Interest income	**3,321**	3,301
Net gain/(loss) on disposal of items of property, plant and equipment	**2,882**	(10,664)
Write back of long-aged advance from customers	**–**	1,247
Others	**1,231**	1,018
	82,240	60,890

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June 2017 Unaudited RMB'000	For the six months ended 30 June 2016 Unaudited RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**67,427**	64,018
Equity-settled share award expense	**1,044**	1,285
Other welfare	**13,237**	10,691
	81,708	75,994
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**2,959,051**	3,117,106
Others*	**234,052**	223,637
	3,193,103	3,340,743

* There were employee benefit expenses of RMB21,973,000 (six months ended 30 June 2016: RMB19,036,000) included in the cost of sales and services.

(c) Other items		
Depreciation of items of property, plant and equipment	**46,060**	48,193
Amortisation of land use rights	**4,408**	3,579
Amortisation of intangible assets	**304**	329
Advertisement and business promotion expenses	**30,551**	28,716
Lease expenses	**3,420**	4,975
Bank charges	**2,563**	5,532
Office expenses	**10,665**	9,668
Logistics expenses	**4,655**	4,334
Net (gain)/loss on disposal of items of property, plant and equipment	**(2,882)**	10,664

6. FINANCE COSTS

	For the six months ended 30 June 2017 Unaudited RMB'000	For the six months ended 30 June 2016 Unaudited RMB'000
Interest expense on bank borrowings wholly repayable within five years	**32,374**	36,501
Interest expense on other borrowings	**6,000**	9,517
	38,374	46,018

7. INCOME TAX

	For the six months ended 30 June 2017 Unaudited RMB'000	For the six months ended 30 June 2016 Unaudited RMB'000
Current Mainland China corporate income tax	**30,752**	18,224
Deferred tax	**3,430**	(3,766)
	34,182	14,458

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%.

8. DIVIDENDS

The Board of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

The calculation of the basic earnings per share for the six months ended 30 June 2017 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 2017 Unaudited RMB'000	For the six months ended 30 June 2016 Unaudited RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**70,415**	17,147

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
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)	**0.12**	0.03

10. INVENTORIES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Motor vehicles	**745,690**	597,605
Spare parts	**62,401**	84,204
	808,091	681,809

As at 30 June 2017, certain of the Group's inventories with an aggregate carrying amount of approximately RMB396,073,000 (31 December 2016: RMB281,985,000) were pledged as security for the Group's bank loans and other borrowings (note 13).

As at 30 June 2017, certain of the Group's inventories with an aggregate carrying amount of approximately RMB288,021,000 (31 December 2016: RMB318,324,000) were pledged as security for the Group's bills payables (note 14).

11. TRADE RECEIVABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade receivables	**45,230**	63,375

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.

11. 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 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Within 3 months	**35,070**	55,089
More than 3 months but less than 1 year	**4,955**	3,026
Over 1 year	**5,205**	5,260
Total	**45,230**	63,375

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Prepayments and deposits to suppliers	**338,013**	294,765
Vendor rebate receivables	**141,068**	178,325
VAT receivables (i)	**9,017**	6,130
Others	**70,987**	60,011
Total	**559,085**	539,231

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.

13. BANK LOANS AND OTHER BORROWINGS

	30 June 2017 Unaudited RMB'000		31 December 2016 Audited RMB'000	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
Current:				
Bank loans	**3.3-7.0**	**1,166,019**	1.4-7.0	1,099,160
Other borrowings	**5.6-7.8**	**143,223**	5.6-7.9	128,831
		1,309,242		1,227,991
Non-current:				
Bank loans	**5.2-5.5**	**133,267**	5.0-7.4	59,500
		1,442,509		1,287,491
Bank loans and other borrowings represent:				
– secured loans		**1,402,509**		1,197,491
– unsecured loans		**40,000**		90,000
		1,442,509		1,287,491

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Analysed into:		
Bank loans repayable		
Within one year	**1,166,019**	1,099,160
In the second year	**9,250**	56,500
In the third to fifth years, inclusive	**30,976**	3,000
Beyond five years	**93,041**	–
	1,299,286	1,158,660
Other borrowings repayable		
Within one year	**143,223**	128,831
Total	**1,442,509**	1,287,491

(a) As at 30 June 2017, 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 RMB173,880,000 (31 December 2016: RMB153,843,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB269,115,000 (31 December 2016: RMB297,370,000);

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB396,073,000 (31 December 2016: RMB281,985,000);

(iv) mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB30,000,000 (31 December 2016: Nil) and the mortgaged bank loans has been repaid in July 2017.

(b) Bank loans and other borrowings were denominated in RMB, except for certain bank loans which were denominated in Hong Kong dollars and US dollars, amounting to RMB116,301,280 and Nil respectively. (31 December 2016: Nil and RMB173,425,000).

14. TRADE AND BILLS PAYABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade payables	327,917	96,665
Bills payable	104,552	329,728
Trade and bills payables	432,469	426,393

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Within 3 months	365,004	392,477
3 to 6 months	64,771	31,994
6 to 12 months	888	639
Over 12 months	1,806	1,283
Total	432,469	426,393

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

As at 30 June 2017, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB288,021,000 (31 December 2016: RMB318,324,000) (note 10).

As at 30 June 2017, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB196,588,000 (31 December 2016: RMB190,260,000).

15. SHARE CAPITAL

Issued and fully paid

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

16. SHARE-BASED PAYMENTS

(a) Pre-IPO SHARE AWARD SCHEME

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

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

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

	2017 Number of awarded shares '000	2016 Number of awarded shares '000
At 1 January	2,224	2,002
Granted during the period	1,910	780
Vested during the period	(408)	(308)
At 30 June	3,726	2,474

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.

16. SHARE-BASED PAYMENTS *(continued)*

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

Particulars of awarded shares as at 30 June 2017 and 31 December 2016 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at 30 June 2017 '000	31 December 2016 '000
5 years	15 May 2014	3.76	**516**	774
5 years	2 July 2015	2.95	**680**	680
5 years	6 February 2016	2.54	**620**	770
5 years	23 Jan 2017	2.19	**1,910**	–
			3,726	2,224

The fair value of the share awards granted was RMB3,630,000 (six months ended 30 June 2016: RMB1,704,000) for the period ended 30 June 2017. The Group recognised a share awards expense of RMB1,044,000 (six months ended 30 June 2016: RMB1,285,000) during the six months ended 30 June 2017.

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 3,726,000 awarded shares (31 December 2016: 2,224,000) outstanding under the Pre-IPO Share Award Scheme.

(b) Share Option Scheme

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

No share options were granted under the Share Option Scheme during the period ended 30 June 2017 (30 June 2016: Nil).

17. 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.

(iv) Capital reserve

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

18. CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

19. 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 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Contracted, but not provided for land use rights and buildings	**58,168**	74,248

(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 2017 Unaudited		31 December 2016 Audited	
	Properties RMB'000	**Land RMB'000**	Properties RMB'000	Land RMB'000
Within 1 year	**4,021**	**3,622**	3,485	3,622
After 1 year but within 5 years	**6,566**	**13,328**	6,417	14,417
After 5 years	**7,545**	**1,830**	8,221	2,833
	18,132	**18,780**	18,123	20,872

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 one to fifteen years, with an option to renew the leases when all the terms are renegotiated.

20. 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 2017 Unaudited RMB'000	30 June 2016 Unaudited RMB'000
Yangzhou Sunfonda Automobile Co., Ltd. [(i)]	**293**	5,009

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

	30 June 2017 Unaudited RMB'000	30 June 2016 Unaudited RMB'000
Yangzhou Sunfonda Automobile Co., Ltd. [(i)]	**437**	–

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

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

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

(b) Balances with related parties

Due from a related party:

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade related		
Yangzhou Sunfonda Automobile Co., Ltd.	**20,500**	21,662

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

	30 June 2017 Unaudited RMB'000	30 June 2016 Unaudited RMB'000
Short term employee benefits	**1,856**	1,347
Equity-settled share award expense	**313**	181
Post-employee benefits	**94**	68
Total compensation paid to key management personnel	**2,263**	1,596

21. 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

	Loans and receivables	
	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade receivables	**45,230**	63,375
Financial assets included in prepayments, deposits and other receivables	**225,175**	238,336
Amounts due from a related party	**20,500**	21,662
Pledged bank deposits	**226,588**	190,260
Cash in transit	**16,477**	21,526
Cash and cash equivalents	**858,169**	846,206
	1,392,139	1,381,365

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Trade and bills payables	**432,469**	426,393
Financial liabilities included in other payables and accruals	**30,974**	119,376
Bank loans and other borrowings	**1,442,509**	1,287,491
	1,905,952	1,833,260

22. 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 2017 was assessed to be insignificant.

At the end of the period, there was no financial asset or liability measured at fair value (31 December 2016: Nil).

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 2016: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2017.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2017.