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

Investor hotline: (852) 3183 0230
Fax: (852) 2583 9138
Website: www.sunfonda.com.cn
E-mail: sunfonda@prasia.net

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Tak Lam *(Chairman)*
Ms. Chiu Man *(Chief Executive Officer)*
Mr. Gou Xinfeng
Mr. Liu Zhanli

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

Suite 3, 22/F, Sino Plaza
255-257 Gloucester Road
Causeway Bay, Hong Kong

REGISTERED OFFICE

Grand Pavilion, Hibiscus Way
802 West Bay Road
P.O. Box 31119
KY1-1205, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRC LEGAL ADVISER

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

HONG KONG LEGAL ADVISER

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKERS

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

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

STOCK CODE

01771

WEBSITE

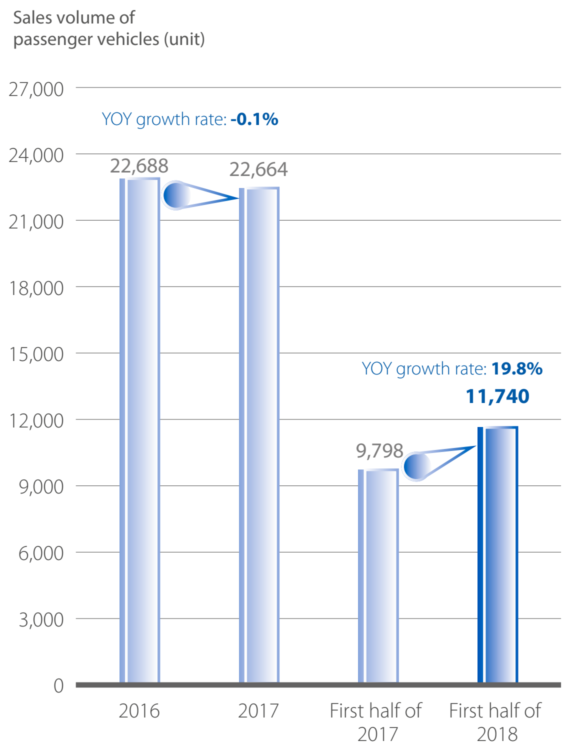
www.sunfonda.com.cn

FINANCIAL HIGHLIGHTS

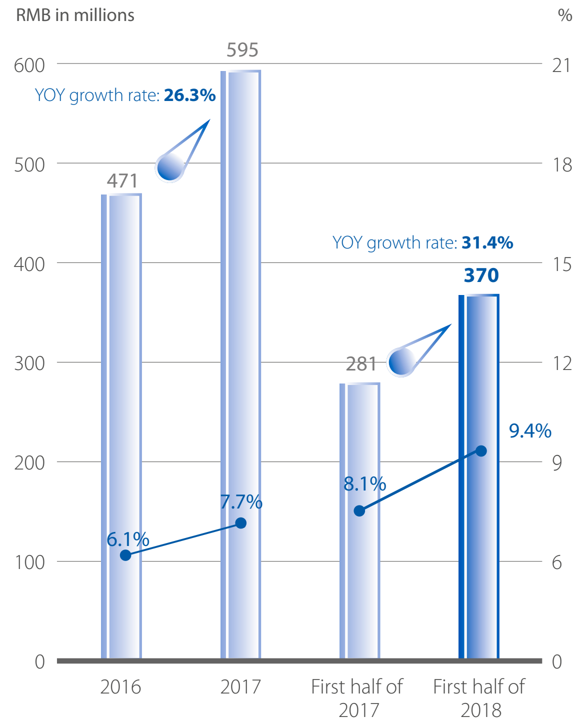
During the period from 1 January to 30 June 2018 (the "**Period**"), the Company has recorded:

- Operating revenue of RMB3,948.4 million, which was up by 13.6% from the same period last year, including:
  - Automobile sales, which was up by 19.8% in volume to 11,740 units, and sales revenue, which was up by 13.3% to RMB3,462.6 million; and
  - Revenue from after-sales services, which was up by 16.0% to RMB485.8 million.
- Gross profit of RMB369.7 million, which was up by 31.4% from the same period last year.
- Gross profit margin was up by 1.3 percentage points to 9.4% (30 June 2017: 8.1%).
- Profit attributable to owners of the parent for the Period was up by 44.5% to RMB101.7 million (30 June 2017: RMB70.4 million).
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was up by 41.7% to RMB0.17 for the Period as compared to RMB0.12 for the same period last year.

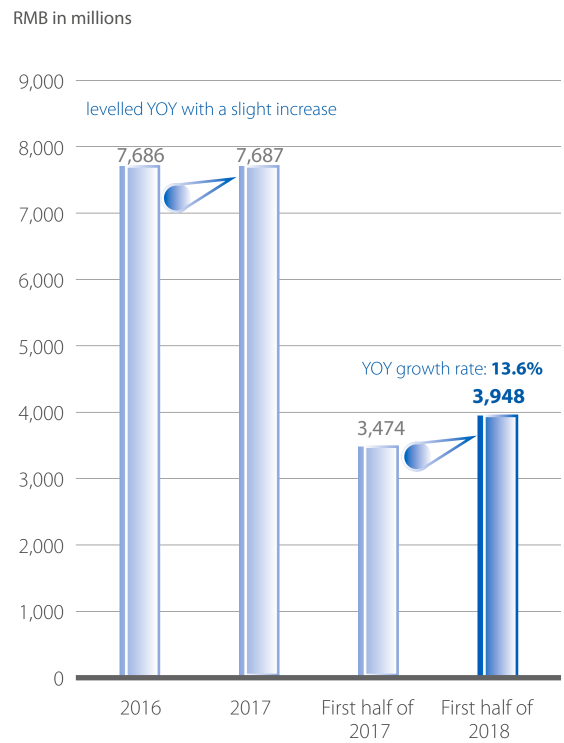
Sales volume of passenger vehicles



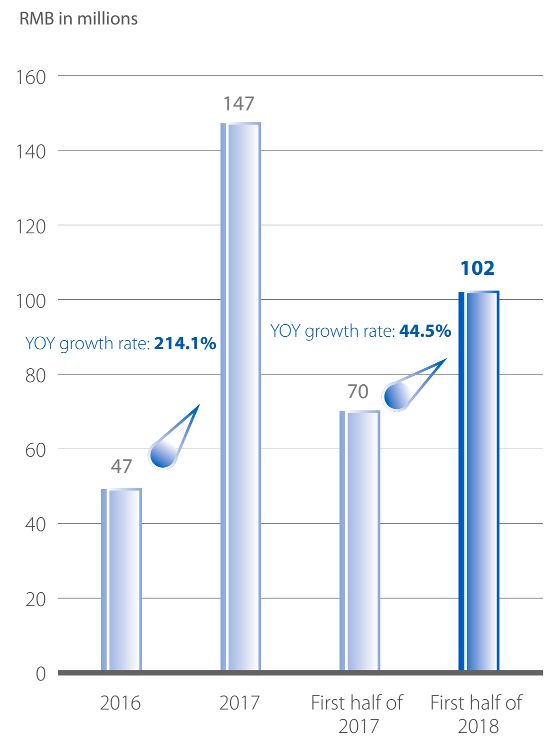
Gross profit and gross profit margin



Revenue



Profit attributable to owners of the Company



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

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 2018.

In 2017, the automobile consumption market of China continued to improve steadily, providing relatively strong support for the industry performance in 2018. For the six months ended 30 June 2018, each of the major luxury and ultra-luxury brands demonstrated a trend of steady improvement with a total accumulated sales volume of 1,350,000 units, up by 12% year-on-year. As widely noted, some consumers have postponed their purchase plans in May and June 2018 with the hearabouts of the overall downward adjustment of tariffs made in July. Nevertheless, the performance of the luxury and ultra-luxury brands was still brilliant. Meanwhile, according to the data provided by China Passenger Car Association ("**CPCA**"), the total retail volume of passenger vehicles recorded a year-on-year increase of 4.6% in the first half of 2018, marking a strong demand in China's automobile consumption market.

Based on the robust market performance, the Group further leveraged its strength as a leading dealership group in China, continuously optimized and expanded the diversity and profitability of its brands. Focusing on the customer satisfaction and employee satisfaction at all times, the Group further enhanced its internal operation management procedure and upgraded its customer experience projects to provide customers with experience towards a series of convenient services such as point redemption in the stores of the Group.

For the six months ended 30 June 2018, the Group delivered a solid performance in general. During the Period, revenue from the sale of new automobiles was RMB3,462.6 million with a sales volume of 11,740 units, up by 19.8% year-on-year; revenue from after-sales services was RMB485.8 million, up by 16.0% year-on-year; gross profit amounted to RMB369.7 million, up by 31.4% year-on-year; and profit attributable to owners of the parent amounted to RMB101.7 million, representing a year-on-year increase of 44.5%.

In terms of principal business activities, through optimization of its operational system, the Group continued to reduce its inventory level, speed up inventory flow, rationalize the structure of inventory products, emphasize and focus on insurance business, consumer credit penetration rate and used car agency services business, thereby ensuring a steady increase in profitability of the Group. After a period of operation, the Group's automobile registration service station and used automobile trading center located in the Chanba Industrial Park, Xi'an is now able to provide customers with rapid and efficient services experience.

Pursuing the proactive and sound brand development strategy in 2017, the Group made satisfactory progress on both accessories transfer warehouse business cooperation and automobile brand cooperation in Lintong, Shaanxi.

Relying on the 21 years of focused efforts and accumulated experience, at the end of 2017, the Group was awarded the "2017 Award for Outstanding Contribution to China's Automobile Dealership Industry" and "Regional Outstanding Dealership Group Award" from the China Automobile Dealers Association and yiche.com, respectively. The Group was also awarded the "Annual Chinese Company Great Value Award 2017" by CNFOL.com and Metro Finance. The first half of 2018 was also a period of fruitful rewards, for instance, Lanzhou Porsche Center of the Group was awarded the Best After-sales Service Champion Award from Porsche, China, Xi'an Volkswagen Imported Automobile Brand Store of the Group was awarded the Best Operation Award and the Five Star Dealer Award, etc. Apart from the above, other stores also received numerous awards.

During the first half of 2018, the Group continued to focus on employee loyalty and customer experience satisfaction, and spared no efforts to promote the "Elite Management Trainee" project. Through launching the said project, the Group reserved a number of excellent staff candidates with great development potential as a strong talent support for the Group's sustainable development in the future.

CHAIRMAN'S STATEMENT

The gross domestic product ("**GDP**") of China grew by 6.9% in 2017 while GDP increased steadily in the first half of 2018, up by 6.8% year-on-year, maintaining a growth ranging from 6.7% and 6.9% for twelve consecutive quarters. According to the data published by the National Bureau of Statistics, in the first half of 2018, the total retail sales volume of consumer goods nationwide amounted to RMB18 trillion, up by 9.4% year-on-year, among which, the sales of consumption upgraded goods grew relatively fast, reflecting the favourable economic growth of China, driving demand for consumption upgrade, which is beneficial to the market prospects of luxury and ultra-luxury automobiles. Among the operations of the principal sectors, the production sector saw growth momentum, the demand sector remained basically stable, the sectors related to people's livelihood continued to improve and the market condition is expected to improve steadily. Meanwhile, reductive and intensive development obtained results in stages, which is conducive to the promotion of high-quality development.

The first half of 2018 has seen dramatic changes in economic conditions, and thus the outstanding performance attained by the Group is valuable. The Group will continue to cultivate its business with prudence and diligence so as to respond to the diverse challenges arising from various market changes, thereby maintaining the Group's leading position in the automobile dealership industry of China.

I, on behalf of the Board, would like to extend our heartfelt gratitude to all friends. Adhering to its philosophy of "Customer for Life", the Group will be dedicated to providing satisfactory and delicate services, striving to become a well-respected and recommended brand of automobile dealer group in the industry.

Wu Tak Lam
Chairman

24 August 2018

MARKET REVIEW

Economic Review

Calculated based on comparable prices, the operation of domestic economy of China recorded a year-on-year growth of 6.8% in the first half of 2018. Comparing by quarters, the corresponding growth of the first quarter represented a year-on-year growth of 6.8%, while that of the second quarter represented a year-on-year growth of 6.7%, maintaining a growth ranging between 6.7% and 6.9% for twelve consecutive quarters. National income of residents maintained a steady increase in general at a rate faster than the growth in the per capita GDP. The income of rural residents grew faster than that of urban residents. As the growth of household consumption expenditure accelerated, service consumption manifested a noticeable growth momentum.

I. Resident income maintained a steady increase at a rate faster than the growth in per capita GDP

Resident income grew steadily. In the first half of 2018, the national disposable income per capita amounted to RMB14,063, representing a nominal increase of 8.7% over the corresponding period of last year, or a real increase of 6.6% after deducting the price factors, which has extended the steady growth trend since the first quarter of 2018.

The actual growth of resident income was slightly faster than the growth in per capita GDP. In the first half of 2018, GDP of China grew by 6.8%, while the growth rate of per capita GDP was approximately 6.3% after deducting the organic growth factor of total population. The real growth rate of national disposable income per capita, which was basically in line with the GDP growth, was 0.3 percentage point higher than the growth rate of per capita GDP.

Each type of income continued to grow following the first quarter of 2018, among which, three types of income, namely, wage and salary, operation and property grew at a faster pace. In the first half of 2018, national income per capita in terms of residents' wage and salary amounted to RMB8,091, up by 8.8%, representing an increase of 0.2 percentage point over the corresponding period of last year.

II. With relatively rapid growth in resident consumption expenditure, service consumption manifested a noticeable growth momentum

The resident consumption expenditure grew relatively fast. In the first half of 2018, the national consumption expenditure per capita was RMB9,609, representing a nominal increase of 8.8% over the corresponding period of last year, or a real growth of 6.7% after deducting the price factors.

Service consumption manifested a noticeable growth momentum. In the first half of 2018, service consumption in terms of areas such as sports, healthcare and tourism demonstrated a strong momentum, with national sports and fitness expenditure per capita increasing by 39.3%, national medical service expenditure per capita increasing by 24.6% and national hotel and accommodation expenditure per capita increasing by 37.8%. Resident's demand for enjoyment service consumption in pursuit of leisure lifestyles was robust, with national expenditure per capita in terms of food and beverage service increasing by 16.6%.

III. As the growth rate of investment in manufacturing industry constantly recovered, the proportion of investment in high-tech manufacturing industry continued to increase

In the first half of 2018, the investment in manufacturing industry recorded a year-on-year increase of 6.8%, up by 1.6 and 3 percentage points over January to May 2018 and the first quarter of 2018 respectively.

The proportion of investment in high-tech manufacturing industry continued to increase. In the first half of 2018, investment in high-tech manufacturing industry increased by 13.1%, up by 3.4 and 5.2 percentage points over January to May 2018 and the first quarter of 2018 respectively, or 6.3 percentage points higher than that of the total investment in manufacturing industry. For instance, investment in medical diagnosis, monitoring and treatment equipment manufacturing industry increased by 66.3%, investment in semiconductor discrete device manufacturing industry increased by 36.3%, investment in industrial automatic control system equipment manufacturing industry increased by 36.3%, investment in integrated circuit manufacturing industry increased by 31.2% and investment in electronic circuit manufacturing industry increased by 27.5%.

IV. Investment in environmental protection and consumption upgrade sectors grew relatively fast

As a key 'battle' among the "Three Major Tough Fights", eco-environmental protection has received increasing capital investment from the government. In the first half of 2018, investment in eco-environmental protection and environmental remedy industry recorded a year-on-year increase of 35.4%, accounting for a contribution of 4% to the growth of investment in service industry. Investment in environmental monitoring sector grew rapidly, while investment in consumption upgrade related sectors saw a promising growth momentum. In the first half of 2018, education investment increased by 11.2%, healthcare investment increased by 13.8%, sports investment increased by 16.3%, entertainment investment increased by 61.1%, and investment in internet and related service industries increased by 43.4%.

V. Private investment maintained relatively rapid growth

Private investment continued to be encouraging from the beginning of this year, since the growth rate of each month exceeded, that of overall investment. For the first half of 2018, private investment grew by 8.4% year-on-year, representing an increase of 0.3 percentage point over January to May 2018, or an increase of 1.2 percentage points over the corresponding period of last year and an increase of 2.4 percentage points over the overall investment. Private investment accounted for 58.9% of overall investment, up by 1.3 percentage points as compared to the corresponding period of last year and contributed 81.5% to the growth of overall investment. Among the private investment, investment in manufacturing industry grew by 7.7% and investment in service industry grew by 9.6%.

VI. Economic structure continued its optimization and upgrade

Regarding the composition of the sectors, the weighting of service industry continued to increase. The driving effect of service industry on economic growth continued to expand.

Regarding the composition of the industries, the industries which were closely related to new technology developed in a relatively fast pace and continued to increase in proportion. In the first half of 2018, three industries including information transmission, software and IT services, leasing and commercial services, and transportation, storage and postal services maintained relatively fast growth at a rate of 30.4%, 9.7% and 7.9% respectively which exceeded the growth of other industries. The growth values accounted for 4.0%, 2.8% and 4.5% of GDP which were higher as compared to the corresponding period of last year.

Regarding the demand structure, residential consumption continued to increase while trading structure continued to improve. In respect of retail sales of consumer goods, consumption upgrade related goods maintained a relatively fast growth. Sales amount of home electrical appliances, communication equipments and cosmetics related products grew at a faster pace at a rate of 10.6%, 10.6% and 14.2% respectively, up by 0.2, 0.5 and 2.9 percentage points as compared to the corresponding period of last year.

VII. New growth drivers continued to develop significantly

In the first half of 2018, new growth drivers continued to develop rapidly and became the key drivers for the steady economic growth. Among larger-scale industries, the growth value of high technology industry increased by 11.6% year-on-year, that of equipment manufacturing industry increased by 9.2% year-on-year, that of strategic emerging industry increased by 8.7% year-on-year, which were higher than that of overall larger-scale industries by 4.9, 2.5 and 2.0 percentage points respectively. Production volumes of new products such as new energy vehicles, industrial robots, optical fibers and smart televisions maintained relatively fast growth at a rate higher than that of overall larger-scale industries. Among service industry, nationwide online retail sales grew by 30.1% year-on-year, in particular, the online sales of physical goods grew by 29.8% year-on-year, while non-physical goods grew by 30.9% year-on-year. Physical consumption upgrade related goods also had a relatively fast growth, for example, smart home electrical appliances and industrial robots maintained a relatively fast growth. The economy maintained a favorable growth momentum towards high quality end. At the general backdrop of increasing uncertainties in the external environment, domestic structure adjustment and pragmatic promotion of transformation and upgrades, the achievements of the Group were hard-earned.

Regarding the impact of trading conflicts between China and the United States on prices, currently the price movement remains relatively steady as any slight increase in price has had limited impact on the overall consumer price index. Also, in light of the trend of residents' consumption price in the second half of 2018, a mild increase is expected to continue. Monetary policy is expected to be steady and moderate which will be beneficial to maintaining a generally stable price.

Overall, national economy for the first half of 2018 continued a generally steady and improving development trend, which provided and accumulated favourable conditions to support the economy's high-quality development, laying a solid foundation for fulfilling the key goals of socio-economic development for the whole year.

Performance of Passenger Vehicle Market in the First Half of 2018

12 mainstream luxury automobile brands officially announced that their domestic sales volume for the first six months of 2018 amounted to 1,353,810 units, representing a growth of 12.1% year-on-year. Compared to the first half of 2017, the growth trend of the sales volume of luxury automobile market for the first half of this year has slowed down. Under the combined effects of factors such as internal and external economic conditions and tariff as well as trading conflicts between China and the United States, the future development of luxury automobile market will meet both challenges and opportunities.

According to the statistics of CPCA, sales volume of passenger vehicle in China for the first half of this year amounted to 10,974,412 units, representing a growth of 4.0% year-on-year.

For the first half of this year, growth in sales volume of SUV was lower than that of sedans. Among mid-to-large size SUV which were mainly imported, various brands made adjustments to suggested retail price between May and June following the hearabouts that import tariff was to be lowered, and therefore, those SUV had a higher price-performance ratio which led to a sales volume rebound in June 2018. With the impact of factors such as lower import tariff, custom clearance of the import of some models of SUV in May 2018 was deferred to July, resulting in a decline in sales volume of mid-size SUV. However, in July, sales of various models of mid-size SUV gradually resumed normal and sales volume was expected to further rebound. Details of sales for various vehicle brands for the first half in 2018 are set out below:

Aggregate sales volume of Mercedes-Benz amounted to 348,004 units, representing a year-on-year growth of 14%, and continued to outperform other luxury brands. Aggregate sales volume of BMW amounted to 299,801 units, representing a year-on-year growth of 2.2%. Aggregate sales volume of Audi amounted to 305,520 units, representing a year-on-year growth of 20.4%. Aggregate sales volume of Cadillac amounted to 111,843 units, representing a year-on-year growth of 38.4%. Aggregate sales volume of Lexus amounted to 68,726 units, representing a year-on-year growth of 13.6%. Aggregate sales volume of Porsche amounted to 33,000 units, representing a year-on-year decrease of 7%, primarily attributed to downward adjustment of tariff.

Continued steady demand in luxury automobile market

Following the continuous introduction of new models of luxury automobile brands and the pricing of which was closer to the market consumption demand, the demand for consumption upgrade also became increasingly strong.

BUSINESS AND OPERATIONAL REVIEW

During the first half of 2018, the overall economy in China remained steady. The economic growth in the second quarter was slower than the first quarter. Yet, during the first half of 2018, the overall sales of passenger vehicle was generally positive. The accumulated sales volume reached 10,974,000 units, up by 4.0% year-on-year, which was substantially higher than the growth rate of 1.0% from January to June 2017. It demonstrated the characteristics of stable consumption growth in China. New energy vehicle performed well. During the first half of 2018, the accumulated sales volume amounted to 348,000 units, up by 131.5% year-on-year.

The Group took advantage of the circumstances and remained prudent. On one hand, the Group closely adhered to its objectives and tasks to promote implementation and execution. It continued to deepen integration of resources and explore operation strategies on an ongoing basis. It also strengthened its existing core businesses in conjunction with the adjustment and upgrade of business structure, at the same time continuing to promote innovative development with a focus on the automobile industrial chain. On the other hand, with the insights of new ideas and through seeking changes and innovations, the Group demanded intensive and precise cultivation, aiming at a steady growth of existing performance under the new profit model and realisation of the long-term plan. The Group followed the direction of national policies closely so as to achieve business transformation step by step. With the joint efforts of all employees, most of the stores under our various brands achieved satisfactory performance with a significant improvement in overall profitability. During the first half of 2018, the sales volume of new automobiles reached 11,740 units, up by 19.8% from 9,798 units in the corresponding period of 2017; revenue from after-sales services amounted to RMB485.8 million, up by 16.0% from RMB418.7 million in the corresponding period of 2017; gross profit reached RMB369.7 million, representing an increase of 31.4% from RMB281.4 million in the corresponding period of 2017; profit after tax increased by 46.1% to RMB102.0 million, as compared with that of RMB69.8 million in the corresponding period of 2017.

As for the sales business, during the first half of 2018, the Group closely monitored the national policies and market changes, devised responding strategies and carried out marketing efforts proactively and prospectively. The pace of the sales was under effective control. The Group has optimized the internal management of sales by introducing a balanced assessment model that focuses on the consolidated gross profits of sales and takes into account the gross profits from business segments. On the premise that gross profits of sales can be guaranteed, the Group has seized the opportunities to extend business sales of each automobile and continued to enhance the profitability of individual vehicle in the extended business area. The operation of the Group was adjusted through refined incentives. Coupled with exploring price management tools and insisting on high penetration rate of derivative businesses such as finance, the quality of sales was effectively improved. The Group closely monitored structural change in inventory. Through strict review mechanism, the Group avoided the generation of overdue inventory, ensuring that the overall inventory of the Group was maintained within a reasonable range throughout the period.

As for after-sales services business, during the first half of 2018, the overall revenue from after-sales services of the Group attained a growth of 16.0% year-on-year. On one hand, the Group pursued policies oriented with customer demand. Through improving customer experience, the sales plan of multi-dimensional products and dedicated strategy for customer solicitation, the Group ensured the steady growth of after-sales customer base and laid a foundation for business growth. On the other hand, the Group monitored the orientation of national policies, adhered to market changes and adjusted the business model of after-sales services. By integration of resources, the Group strengthened its competitive edges, controlled costs, provided caring and customized customer services and created a win-win situation, which consolidated the foundation for long-term development of the Group. Regarding the accident insurance and maintenance business of the Group, through measures such as vigorously developing the warranty renewal business, enhancing customer experience and optimizing the sales procedures, consolidating the policy support and staff allocations, the penetration rate of the Group's insurance services was noticeably increased. It effectively promoted the depot of accidental insurance and maintenance business and business growth.

For second-hand automobile business, during the first half of 2018, the second-hand automobile market remained stable generally and maintained organic growth. In order to keep abreast of market development, the Group has strengthened the co-operation with the online platform of e-commerce providers and adjusted the profit structure of second-hand automobiles so as to develop the second-hand automobiles derivative businesses including second-hand automobile finance and second-hand automobiles insurance in full swing. The integrated profitability of the Group's second-hand automobiles business was enhanced through strengthened comprehensive reviews.

FINANCIAL REVIEW

Revenue

Revenue for the Period was RMB3,948.4 million, representing an increase of RMB473.9 million or 13.6% as compared with the corresponding period in 2017. Of which, revenue from the sales of new automobiles was RMB3,462.6 million, representing an increase of RMB406.8 million or 13.3% as compared to that for the corresponding period in 2017. The increase in revenue from the sales of new automobiles was mainly attributable to the increase in sales volume for this year from new stores that commenced operation in 2017. In addition, revenue from after-sales services was RMB485.8 million, representing an increase of RMB67.1 million or 16.0% as compared to that for the corresponding period in 2017. The increase in revenue from after-sales services was attributable to the increase in after-sales business volume from new stores that commenced operation in 2017 as well as the increase in business volume through strengthening the after-sales customer management system of the Group.

A substantial portion of revenue of the Group was generated from sales of new automobiles, accounting for 87.7% of our revenue for the Period (corresponding period in 2017: 87.9%). During the Period, the remaining part of revenue of the Group was generated from after-sales services, accounting for 12.3% of our revenue for the Period (corresponding period in 2017: 12.1%). Revenue of the Group is mainly derived from our businesses in China.

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

	For the six months ended 30 June					
	2018			2017		
	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	**3,032,976**	**8,491**	**357**	2,725,433	7,506	363
Mid-end market brands	**429,617**	**3,249**	**132**	330,403	2,292	144
Sub-total	**3,462,593**	**11,740**	**295**	3,055,836	9,798	312
After-sales services	**485,773**			418,658		
Total	**3,948,366**			3,474,494		

Cost of sales and services

Cost of sales and services for the Period was RMB3,578.6 million, representing an increase of RMB385.5 million or 12.1% as compared to that for the corresponding period in 2017. Cost of sales of new automobiles for the Period was RMB3,319.7 million, representing an increase of RMB360.6 million or 12.2% as compared to that for the corresponding period in 2017. The increase in cost of sales of new automobiles was attributable to the corresponding increase in cost of sales resulting from the increase in sales volume. Cost of after-sales services for the Period was RMB258.9 million, representing an increase of RMB24.8 million or 10.6% as compared to that for the corresponding period in 2017. The increase in cost of after-sales services was attributable to the increase in business volume of after-sales services.

Gross profit

Gross profit for the Period was RMB369.7 million, representing an increase of RMB88.3 million or 31.4% as compared to that for the corresponding period in 2017. Of which, gross profit of sales of new automobiles was RMB142.9 million, representing an increase of RMB46.1 million or 47.6% as compared to that for the corresponding period in 2017; gross profit of after-sales services business was RMB226.8 million, representing an increase of RMB42.2 million or 22.9% as compared to that for the corresponding period in 2017. Gross profit of after-sales services for the Period accounted for 61.3% of our total gross profit (corresponding period in 2017: 65.6%).

Gross profit margin for the Period was 9.4% (corresponding period in 2017: 8.1%). Of which, gross profit margin for sales of new automobiles was 4.1% (corresponding period in 2017: 3.2%) and gross profit margin for after-sales services was 46.7% (corresponding period in 2017: 44.1%).

Other Net Income and Gains

Other net income and gains mainly consist of commission income from automobile insurance agency and automobile financing agency businesses, 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 RMB108.9 million, representing an increase of 32.5% as compared with RMB82.2 million for the corresponding period in 2017. The increase was due to: 1) the on-going steady increase in commission income from automobile insurance agency and automobile financing agency businesses of existing stores and the increase in commission income from new stores opened in 2017; 2) the growth in the scale of the Group's logistics and storage business, leading to the corresponding increase in revenue.

Selling and Distribution Expenses

Selling and distribution expenses for the Period amounted to RMB166.5 million, representing an increase of 22.2% as compared with RMB136.2 million for the corresponding period in 2017, mainly due to: 1) the increase in number of sale personnel, due to opening of new stores, resulting in the increase in staff salary; 2) increase in gross profit from sales resulting in the corresponding increase in performance bonus for staff; and 3) the opening of new stores and renovation of certain existing stores resulting in an increase in depreciation of fixed assets.

Administrative Expenses

Administrative expenses for the Period amounted to RMB117.5 million, representing an increase of 38.1% as compared with RMB85.1 million for the corresponding period in 2017. The increase in administrative expenses was mainly attributable to: 1) the increase in depreciation and amortization of fixed assets and intangible assets due to opening of new stores and renovation of certain existing stores; 2) the increase in number of administrative personnel, due to the opening of new stores, resulting in the increase in staff salary; and 3) increase in profit resulting in the corresponding increase in performance bonus for staff.

Finance Costs

Finance costs for the Period amounted to RMB47.0 million, representing an increase of 22.4% as compared with RMB38.4 million for the same period in 2017. The increase was mainly due to the increase in the scale of current borrowings used for inventory procurement in relation to the operation of new stores as compared to the corresponding period of last year.

Profit Before Tax

As a result of the foregoing, profit before tax for the Period amounted to RMB147.6 million, representing an increase of 41.9% as compared with RMB104.0 million for the corresponding period in 2017.

Income Tax Expense

Income tax expense for the Period amounted to RMB45.6 million, representing an increase of 33.3% as compared with RMB34.2 million for the same period in 2017. The effective income tax rate of the Group for the Period was approximately 30.9% (corresponding period in 2017: 32.9%). The increase in income tax expense was mainly due to 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 RMB102.0 million, representing an increase of 46.1% as compared with RMB69.8 million for the same period in 2017.

Profit for the Period Attributable to Owners of the Parent

For the Period, profit for the Period attributable to owners of the parent was RMB101.7 million, representing an increase of 44.5% as compared with RMB70.4 million for the same period in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the Period, our net cash inflow generated from operating activities was RMB280.4 million, as compared with net cash inflow generated from operating activities of RMB6.1 million for the six months ended 30 June 2017. The increase in net cash inflow from operating activities was mainly attributable to: 1) an increase in cash received from sales due to the increase in gross profit margin of new automobiles; and 2) affected by the tariff adjustment this year, the automobile manufacturers postponed the new automobile procurement for certain brands from June to July which resulted in the decrease in prepayments related to purchase of automobiles.

For the Period, our net cash outflow for investing activities was RMB682.0 million, as compared with net cash outflow for investing activities of RMB93.4 million for the six months ended 30 June 2017. The increase in net cash outflow for investing activities was mainly attributable to: 1) the increase in capital expenditure due to opening of new store and renovation of certain existing stores; and 2) the increase in land acquisition.

For the Period, our net cash inflow for financing activities was RMB671.3 million, as compared with net cash inflow for financing activities of RMB105.0 million for the six months ended 30 June 2017. The fluctuation was mainly due to the increase of cash demand for purchasing of land.

Net Current Assets/(Liabilities)

As at 30 June 2018, our net current liabilities amounted to RMB19.6 million, as compared with net current assets of RMB484.7 million as at 31 December 2017. Such change was mainly due to the use of cash in land acquisition.

Inventories

Our inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 30 June 2018, our inventories amounted to RMB793.4 million, representing an increase of 1.6% as compared with RMB781.0 million as at 31 December 2017, which was mainly attributable to the increase in inventories of new stores.

In the first half of 2018, 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 39.6 days, which were longer than the 37.1 days in 2017. The increase in inventory of newly-opened stores resulted in reasonable increase of inventory turnover days.

Bank Loans and Other Borrowings

As at 30 June 2018, our bank loans and other borrowings were RMB1,795.4 million, representing an increase of 20.4% as compared with RMB1,491.2 million as at 31 December 2017, which was mainly attributable to the increase of scale of current financing loans used for inventory procurement in relation to the operation of new stores as compared to the corresponding period of last year.

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

	30 June 2018 Unaudited		31 December 2017 Audited	
	Effective interest rate (%)	**Amount (RMB'000)**	Effective interest rate (%)	Amount (RMB'000)
CURRENT:				
Bank loans	**3.3-7.0**	**1,432,879**	3.3-7.0	1,140,520
Other borrowings	**5.6-8.5**	**150,254**	5.6-7.8	137,769
		1,583,133		1,278,289
NON-CURRENT:				
Bank loans	**3.3-5.5**	**212,235**	3.3-5.5	212,941
		1,795,368		1,491,230
Bank loans and other borrowings represent:				
– secured loans		**1,579,311**		1,212,583
– unsecured loans		**216,057**		278,647
Total		**1,795,368**		1,491,230

As at 30 June 2018, our gearing ratio, which is the total debt divided by the equity attributable to owners of the parent, was 97.0%. Total debt includes bank loans and other borrowings.

Pledge of Assets

As at 30 June 2018, 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 2018 consisted of: (i) inventories amounting to RMB411.8 million; (ii) property, plant and equipment amounting to RMB331.3 million; (iii) land use rights amounting to RMB209.5 million; and (iv) pledged bank deposits of HK$27.9 million (equivalent to RMB23.5 million) and US$8.6 million (equivalent to RMB57.1 million).

As at 30 June 2018, certain of our inventories amounting to RMB94.4 million and pledged bank deposits amounting to RMB133.6 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. For the six months ended 30 June 2018, our total capital expenditures were RMB673.6 million, representing an increase of approximately RMB515.9 million as compared with the RMB157.7 million for the six months ended 30 June 2017.

Contingent Liabilities

As at 30 June 2018, 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$ 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. Therefore, the Group had immaterial foreign currency risk.

Staff Cost and Employee Remuneration Policies

As at 30 June 2018, the Group had 2,962 employees. Staff cost of the Group increased by 26.4% from RMB103.7 million for the six months ended 30 June 2017 to RMB131.1 million for the Period, which was mainly attributable to the increase in number of headcount, the increase in base number of social security contribution, the increase in gross profit from sales leading to the 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

Client Demand as the Foundation

The Group will continue to pay attention to its reputation in terms of customers' satisfaction and experience. We will organise popular rewarding activities to cater for different customer preferences by big data analysis, including customers' interests, hobbies, age and car models etc. The activities are diversified, including self-driving tours, golf, movie screening, tea tasting and Joyrun marathon, etc., which can fully satisfy the demand of customers and allow the participants to fully engage in the customer platforms of the same level. During the first half of 2018, the Group's investment in maintaining customer relationship and providing rewards to customers increased as compared with the corresponding period in 2017, which is a testament to the Group's strong emphasis on customers' satisfaction and experience.

Innovative Marketing

The management on the marketing expenses of the Group will be more precise. The Group will strictly control its spending. All advertising channels will be procured and negotiated by the Group on a unified basis and will be evaluated together with the quantifiable effect of the advertising channels. For channels with poorer performance, the Group will terminate advertising on such to avoid wastage.

Meanwhile, we will monitor and conduct random inspection on online sales channels through the Customer Relations Management Department of the Group. Emphasis will be placed on examining the telephone skills and professionalism of salespersons during operation in each store. The Group will also proactively look for leads for targeted sales from database of rejected customers; the Group will organize effective outreach activities more frequently so as to enhance the effectiveness of inbound marketing; the Group will look for more cross-sector collaboration such as strengthening the cooperation with clients in the sports industry, high-end lifestyle industry and arts/performance industry; the Group will make use of more promotion channels in relation to web applications, such as popular hotspot applications including Tik Tok, to promote the Group and its stores; and the Group will step up its marketing efforts on existing customers. The Group will invite its friends, who are car owners, to promote for the Group and its stores by fully utilizing their social circles and other measures to achieve effective, precise and scientific marketing results.

Further Consolidating the Brand Structure

The Group will continue to consolidate the brand coverage in Xi'an City. Currently, the Group already possesses leading advantages in the region and can basically provide sales services for all branded automobiles, including new energy automobiles. Through the introduction of Geely new energy automobiles, the Group is able to take a solid step forward in the new energy automobile sector.

Meanwhile, the Group will actively expand the brand diversity in Wuxi, Suzhou and Yangzhou in Jiangsu Province. Up to now, the Group has established a sales service network in the aforementioned regions and new brands are being introduced on a continuous basis.

As for the Group's accessories logistics warehouse project located in Lintong District, Xi'an, Shaanxi, the Group will also strive to broaden the cooperation channels with manufacturers of new brands in 2018 and has already received positive responses from a number of manufacturers.

Prominent Opportunities in Xi'an, China

Driven by rigid demand, the automobile market in Northwestern China has vast potential to be explored. With current implementation of the strategic planning of "the Belt and Road" initiative of 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.

During the first half of 2018, the gross product value of Shaanxi Province was RMB1.07 trillion, up by 8.6% year-on-year, which is 1.8 percentage points higher than the national level and signifying the fastest growth of GDP since 2015. The growth rate of investment was 12.9%, while the growth rate of exports ranked first in the country. The consumption demand has increased, providing driver for high-quality development.

During the first half of 2018, the GDP of Xi'an was RMB383.2 billion, representing a nominal growth rate of 15.98%. The annual GDP is expected to exceed RMB800 billion. If so, Xi'an would rank Top 20 in China. The number of permanent residents in Xi'an City has exceeded 10 million, which is of vital significance to ensuring consumption upgrade.

Unique Trendy Automobile Street Zone Project

As for the development model, Xi'an is committed to promoting the mode of developing featured towns. Given the development plan of local government as well as the strengths of the Group, enormous opportunities for the development of the Group will emerge in the future.

The trendy automobile street zone project, pioneered by the Group, creatively plans an integrated operation concept that integrates automobile sales, services, business districts, hotels, etc., aiming to provide a convenient, comfortable and efficient shopping experience for consumers in Xi'an as well as Northwestern China. We have commenced the overall planning for the project, which will materialise perfectly in the ancient city of Xi'an in the coming few years.

Upon completion, the project is expected to become the first experiential project that integrates the businesses of automobile retailing, high-end hotels, movie-themed restaurants, comprehensive shopping and others in the country as well as in Asia.

Enhancing the Influence as a Well-known Trademark

"Sunfonda" has been recognized as a Shaanxi famous trademark. The Group's brand influence substantially improved its strengths in terms of acquiring resources from brand-crossover cooperation, streamlining marketing expenses and enhancing management transparency. The "Sunfonda" brand as well as the principle and vision of "People – Automobile – Health" will further support the promotion of the Group's business and reputation.

EQUITY INTEREST

As at 30 June 2018, 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 2018, 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	357,686,000	59.61%
Ms. Chiu Man	Interest held by controlled corporations	1	357,686,000	59.61%
Mr. Gou Xinfeng	Beneficiary of a trust	2	150,000	0.02%
	Beneficial owner		50,000	0.01%
			200,000	0.03%
Mr. Liu Zhanli	Beneficiary of a trust	3	124,000	0.02%
	Beneficial owner		66,000	0.01%
			190,000	0.03%

Notes:

(1) These shares are held as to 351,000,000 shares by Top Wheel Limited ("**Top Wheel**") and 6,686,000 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 6,686,000 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 6,686,000 shares of the Company held by Westernrobust pursuant to Part XV of the SFO.

(2) Mr. Gou Xinfeng is deemed to be interested in these 150,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

(3) Mr. Liu Zhanli is deemed to be interested in these 124,000 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 2018.

(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 2018.

Save as disclosed above, as at 30 June 2018, 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 2018, 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	6,686,000	1.11%
			357,686,000	59.61%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	357,686,000	59.61%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	357,686,000	59.61%
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 2018.

Save as disclosed above, as at 30 June 2018, 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 2018, the Company has granted an aggregate of 5,890,000 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.

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 DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out as follow:

– Mr. Liu Jie resigned as a director of Shanghai Dian Software Tech Co., Ltd. (上海締安科技股份有限公司), a company whose shares are quoted on the National Equities Exchange and Quotations (stock code: 834047), in June 2018. He also resigned as a director and the general manager of Shanghai Fuli Management Consulting Co., Ltd. (上海復理管理諮詢有限公司) in May 2018.

– Dr. Liu Xiaofeng resigned as an independent non-executive director of Hisense Kelon Electrical Holdings Company Limited, a company whose shares are listed on the Stock Exchange (stock code: 921), in August 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, 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 2018, 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.

EVENTS AFTER THE PERIOD

Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.* (北京新豐泰博奧汽車銷售服務有限公司), Ningxia Sunfonda Junmei Automobile Sales Services Co., Ltd.* (寧夏新豐泰駿美汽車銷售服務有限公司), Shanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.* (山西新豐泰駿美汽車銷售服務有限公司), Ordos Sunfonda Kaisheng

Automobile Co., Ltd.* (鄂爾多斯市新豐泰凱盛汽車有限責任公司) and Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.* (陝西新豐泰駿美汽車銷售服務有限公司), which comprise five indirect wholly-owned subsidiaries of the Company, as vendors, entered into equity disposal agreements with Shaanxi Country Garden Real Estate Co., Ltd.* (陝西碧桂園置業有限公司), as purchaser, on 16 July 2018. Pursuant to the terms of the equity disposal agreements, the vendors disposed an aggregate of its 100% equity interest in Shaanxi Zewang Industrial Development Co., Ltd.* (陝西澤望實業發展有限公司) to the purchaser at a total consideration of RMB154.864 million. Upon completion of the disposal (i.e. from 17 July 2018), Shaanxi Zewang Industrial Development Co., Ltd.* (陝西澤望實業發展有限公司) ceased to be a wholly-owned subsidiary of the Company. For details of the transaction, please refer to the Company's announcements dated 16 July and 20 July 2018. The Company will issue a circular to further explain the details of the transaction.

Save as the above event, the Company had no other material events after the reporting period that needed to be disclosed.

* *Denotes English translation of the name of a Chinese company, and is provided for identification purposes only.*

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 interim report 2018, announcement of interim results and unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

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 2018.

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 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Revenue	4(a)	**3,948,366**	3,474,494
Cost of sales and services	5(b)	**(3,578,640)**	(3,193,103)
Gross profit		**369,726**	281,391
Other income and gains, net	4(b)	**108,857**	82,240
Selling and distribution expenses		**(166,493)**	(136,164)
Administrative expenses		**(117,482)**	(85,068)
Profit from operations		**194,608**	142,399
Finance costs	6	**(47,026)**	(38,374)
Profit before tax	5	**147,582**	104,025
Income tax expense	7	**(45,579)**	(34,182)
Profit for the period		**102,003**	69,843
Attributable to:			
Owners of the parent		**101,676**	70,415
Non-controlling interests		**327**	(572)
		102,003	69,843
Earnings per share attributable to ordinary equity holders of the parent	9		
Basic and diluted (RMB)		**0.17**	0.12

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Profit for the period	**102,003**	69,843
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,182**	(2,261)
Total comprehensive income for the period, net of tax	**103,185**	67,582
Attributable to:		
Owners of the parent	**102,858**	68,154
Non-controlling interests	**327**	(572)
	103,185	67,582

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2018

	Notes	**30 June 2018 Unaudited RMB'000**	31 December 2017 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,135,596**	1,067,985
Land use rights		**323,446**	316,187
Intangible assets		**12,599**	13,128
Prepayments		**600,141**	112,404
Goodwill		**10,794**	10,794
Deferred tax assets		**5,496**	7,455
Total non-current assets		**2,088,072**	1,527,953
CURRENT ASSETS			
Inventories	10	**793,429**	781,025
Trade receivables	11	**39,479**	52,974
Prepayments, deposits and other receivables	12	**508,223**	691,998
Amounts due from a related party	20(b)	**54,000**	12,020
Pledged bank deposits		**214,275**	274,365
Cash in transit		**37,008**	19,517
Short-term deposits		**102,866**	55,209
Cash and cash in banks		**886,969**	615,571
Total current assets		**2,636,249**	2,502,679
CURRENT LIABILITIES			
Bank loans and other borrowings	13	**1,583,133**	1,278,289
Trade and bills payables	14	**309,366**	389,758
Other payables and accruals		**732,826**	325,891
Income tax payable		**30,523**	24,074
Total current liabilities		**2,655,848**	2,018,012
NET CURRENT (LIABILITIES)/ASSETS		**(19,599)**	484,667
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,068,473**	2,012,620

	Notes	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	13	**212,235**	212,941
Deferred tax liabilities		**2,541**	2,658
Total non-current liabilities		**214,776**	215,599
NET ASSETS		**1,853,697**	1,797,021
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**377**	377
Reserves	17	**1,849,845**	1,793,496
		1,850,222	1,793,873
Non-controlling interests		**3,475**	3,148
Total equity		**1,853,697**	1,797,021

Director
Wu Tak Lam

Director
Chiu Man

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	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 2018	**377**	**335,442**	**124,227**	**77,826**	**157,947**	**8,240**	**37,515**	**1,052,299**	**1,793,873**	**3,148**	**1,797,021**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**101,676**	**101,676**	**327**	**102,003**
Other comprehensive income for the period: Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**1,182**	**–**	**1,182**	**–**	**1,182**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,182**	**101,676**	**102,858**	**327**	**103,185**
Final 2017 dividend declared	**–**	**(47,520)**	**–**	**–**	**–**	**–**	**–**	**–**	**(47,520)**	**–**	**(47,520)**
Equity-settled share award expense (note 16)	**–**	**–**	**–**	**–**	**–**	**1,011**	**–**	**–**	**1,011**	**–**	**1,011**
At 30 June 2018 (Unaudited)	**377**	**287,922**	**124,227**	**77,826**	**157,947**	**9,251**	**38,697**	**1,153,975**	**1,850,222**	**3,475**	**1,853,697**

	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

	Notes	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Operating activities			
Profit before tax		**147,582**	104,025
Adjustments for:			
Depreciation of items of property, plant and equipment	5(c)	**65,392**	46,060
Amortisation of land use rights	5(c)	**4,896**	4,408
Amortisation of intangible assets	5(c)	**529**	304
Interest income	4(b)	**(3,259)**	(3,321)
Net gain on disposal of items of property, plant and equipment	4(b)	**(2,654)**	(2,882)
Equity-settled share award expense	5(a)	**1,011**	1,044
Finance costs	6	**47,026**	38,374
		260,523	188,012
Decrease/(Increase) in pledged bank deposits		**60,090**	(36,328)
(Increase)/Decrease in cash in transit		**(17,491)**	5,049
Decrease in trade receivables		**13,495**	18,145
Decrease/(Increase) in prepayments, deposits and other receivables		**183,775**	(16,310)
Increase in inventories		**(12,404)**	(126,282)
(Decrease)/Increase in trade and bills payables		**(80,392)**	6,076
Decrease in other payables and accruals		**(47,943)**	(6,557)
(Increase)/Decrease in amounts due from a related party		**(41,980)**	1,162
Cash generated from operations		**317,673**	32,967
Tax paid		**(37,288)**	(26,862)
Net cash generated from operating activities		**280,385**	6,105

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	**For the six months ended 30 June 2018 Unaudited RMB'000**	For the six months ended 30 June 2017 Unaudited RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(159,637)**	(148,927)
Proceeds from disposal of items of property, plant and equipment		**35,990**	60,992
Purchase of land use rights		**(513,934)**	(8,555)
Purchase of intangible assets		**–**	(196)
Interest received		**3,259**	3,321
Increase of time deposits of maturity over three months		**(47,657)**	–
Net cash used in investing activities		**(681,979)**	(93,365)
Financing activities			
Proceeds from bank loans and other borrowings		**3,261,357**	2,234,948
Repayment of bank loans and other borrowings		**(2,957,696)**	(2,079,930)
Advances from a third party for disposal of a subsidiary		**462,218**	–
Interest paid		**(47,026)**	(38,374)
Dividends paid		**(47,520)**	(11,616)
Net cash generated from financing activities		**671,333**	105,028
Net increase in cash and cash equivalents		**269,739**	17,768
Cash and cash equivalents at the beginning of each period		**615,571**	846,206
Effect of foreign exchange rate changes, net		**1,659**	(5,805)
Cash and cash equivalents at the end of each period		**886,969**	858,169

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 2018 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 2017, 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 HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The adoption of these 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 9	*Prepayment Features with Negative Compensation*[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 16	*Leases*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
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 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Revenue from the sale of motor vehicles	**3,462,593**	3,055,836
Others	**485,773**	418,658
	3,948,366	3,474,494

4. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

(b) Other income and gains, net

	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Commission income	**81,516**	61,620
Logistics and storage income	**19,562**	13,186
Interest income	**3,259**	3,321
Net gain on disposal of items of property, plant and equipment	**2,654**	2,882
Government grants	**1,354**	15
Others	**512**	1,216
	108,857	82,240

5. PROFIT BEFORE TAX

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

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

	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Wages and salaries	**87,143**	67,427
Equity-settled share award expense	**1,011**	1,044
Other welfare	**17,845**	13,237
	105,999	81,708

5. PROFIT BEFORE TAX *(continued)*

(b) Cost of sales and services

	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Cost of sales of motor vehicles	**3,319,696**	2,959,051
Others*	**258,944**	234,052
	3,578,640	3,193,103

* There were employee benefit expenses of RMB25,113,000 (six months ended 30 June 2017: RMB21,973,000) included in the cost of sales and services.

(c) Other items

	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Depreciation of items of property, plant and equipment	**65,392**	46,060
Amortisation of land use rights	**4,896**	4,408
Amortisation of intangible assets	**529**	304
Advertisement and business promotion expenses	**30,994**	30,551
Lease expenses	**3,948**	3,420
Bank charges	**2,596**	2,563
Office expenses	**13,543**	10,665
Logistics expenses	**6,305**	4,655
Net gain on disposal of items of property, plant and equipment	**(2,654)**	(2,882)

6. FINANCE COSTS

	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Interest expense on bank borrowings wholly repayable within five years	**41,298**	32,374
Interest expense on other borrowings	**5,728**	6,000
	47,026	38,374

7. INCOME TAX

	For the six months ended 30 June 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Current Mainland China corporate income tax	**43,738**	30,752
Deferred tax	**1,841**	3,430
	45,579	34,182

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%.

7. INCOME TAX *(continued)*

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

8. DIVIDENDS

The Board of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018 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 2018 Unaudited RMB'000	For the six months ended 30 June 2017 Unaudited RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**101,676**	70,415

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
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)	**0.17**	0.12

10. INVENTORIES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Motor vehicles	**727,622**	709,019
Spare parts	**65,807**	72,006
	793,429	781,025

As at 30 June 2018, certain of the Group's inventories with an aggregate carrying amount of approximately RMB411,822,000 (31 December 2017: RMB493,519,000) were pledged as security for the Group's bank loans and other borrowings (note 13).

As at 30 June 2018, certain of the Group's inventories with an aggregate carrying amount of approximately RMB94,430,000 (31 December 2017: RMB108,427,000) were pledged as security for the Group's bills payables (note 14).

11. TRADE RECEIVABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade receivables	**39,479**	52,974

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

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Within 3 months	**32,412**	46,966
More than 3 months but less than 1 year	**3,823**	4,361
Over 1 year	**3,244**	1,647
Total	**39,479**	52,974

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Prepayments and deposits to suppliers	**253,372**	433,498
Vendor rebate receivables	**156,185**	159,274
VAT receivables (i)	**20,282**	7,860
Others	**78,384**	91,366
Total	**508,223**	691,998

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 reduced from 17% to 16% from 1 May 2018 according to the latest requirement of the State Council.

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 2018 Unaudited RMB'000		31 December 2017 Audited RMB'000	
	Effective interest rate (%)	**Amount RMB'000**	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	**3.3-7.0**	**1,432,879**	3.3-7.0	1,140,520
Other borrowings	**5.6-8.5**	**150,254**	5.6-7.8	137,769
		1,583,133		1,278,289
NON-CURRENT:				
Bank loans	**3.3-5.5**	**212,235**	3.3-5.5	212,941
		1,795,368		1,491,230
Bank loans and other borrowings represent:				
– secured loans (a)		**1,579,311**		1,212,583
– unsecured loans		**216,057**		278,647
		1,795,368		1,491,230

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,432,879**	1,140,520
In the second year	**1,000**	3,000
In the third to fifth years, inclusive	**89,028**	79,455
Over fifth years	**122,207**	130,486
	1,645,114	1,353,461
Other borrowings repayable		
Within one year	**150,254**	137,769
Total	**1,795,368**	1,491,230

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

(a) As at 30 June 2018, 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 RMB209,472,000 (31 December 2017: RMB178,004,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB331,282,000 (31 December 2017: RMB285,068,000);

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB411,822,000 (31 December 2017: RMB493,519,000) (note 10);

(iv) mortgages over the Group's bank deposits, which had an aggregate carrying value of approximately HK$27,900,000 (equivalent to RMB23,522,000) (31 December 2017: HK$17,100,000) and US$8,630,000 (equivalent to RMB57,104,000) (31 December 2017: US$8,630,000).

(b) Except for the secured bank loan amounting to HK$334,000,000 (equivalent to RMB281,595,000) (31 December 2017: HK$280,000,000) which is denominated in Hong Kong dollars, all borrowings are in Renminbi.

14. TRADE AND BILLS PAYABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade payables	**125,864**	109,512
Bills payable	**183,502**	280,246
Trade and bills payables	**309,366**	389,758

14. 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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Within 3 months	**284,407**	298,162
3 to 6 months	**20,439**	87,138
6 to 12 months	**3,386**	3,173
Over 12 months	**1,134**	1,285
Total	**309,366**	389,758

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

As at 30 June 2018, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB94,430,000 (31 December 2017: RMB108,427,000) (note 10).

As at 30 June 2018, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB133,648,000 (31 December 2017: RMB203,677,000) .

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

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

	2018 Number of awarded shares '000	2017 Number of awarded shares '000
At 1 January	**3,596**	2,324
Granted during the period	**800**	1,910
Forfeited during the year	**–**	(30)
Vested during the period	**(820)**	(438)
At 30 June	**3,576**	3,766

Under the Pre-IPO Share Award Scheme, vesting period is five years during which the awarded shares granted to any particular selected employee will vest on each anniversary of the grant date of the relevant awards in equal portions.

16. SHARE-BASED PAYMENTS *(continued)*

(a) Pre-IPO Share Award Scheme *(continued)*

Particulars of awarded shares as at 30 June 2018 and 31 December 2017 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at **30 June 2018 '000**	31 December 2017 '000
5 years	15 May 2014	3.76	**288**	576
5 years	2 July 2015	2.95	**510**	510
5 years	6 February 2016	2.54	**450**	600
5 years	23 January 2017	2.19	**1,528**	1,910
5 years	8 February 2018	1.23	**800**	–
			3,576	3,596

The fair value of the share awards granted was RMB830,000 (six months ended 30 June 2017: RMB3,630,000) for the period ended 30 June 2018. The Group recognised a share awards expense of RMB1,011,000 (six months ended 30 June 2017: RMB1,044,000) during the six months ended 30 June 2018.

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 3,576,000 awarded shares (31 December 2017: 3,596,000) 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 2018 (30 June 2017: Nil).

17. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

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

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(iv) Capital reserve

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

18. CONTINGENT LIABILITIES

As at 30 June 2018, 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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Contracted, but not provided for land use rights and buildings	**30,098**	19,746

(b) Operating lease commitments

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.

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

	30 June 2018 Unaudited		31 December 2017 Audited	
	Properties RMB'000	**Land RMB'000**	Properties RMB'000	Land RMB'000
Within 1 year	**4,637**	**1,690**	4,626	3,320
After 1 year but within 5 years	**15,790**	**11,102**	15,485	11,102
After 5 years	**18,209**	**1,444**	19,469	1,444
	38,636	**14,236**	39,580	15,866

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

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

		30 June 2018 Unaudited RMB'000	30 June 2017 Unaudited RMB'000
(i)	Sales of motor vehicles and spare parts		
	Yangzhou Sunfonda Automobile Co., Ltd.*	**4**	293
(ii)	Purchase of motor vehicles and spare parts		
	Yangzhou Sunfonda Automobile Co., Ltd.*	**1,040**	437

* 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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade related		
Yangzhou Sunfonda Automobile Co., Ltd.	**54,000**	12,020

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

	30 June 2018 Unaudited RMB'000	30 June 2017 Unaudited RMB'000
Short term employee benefits	**1,901**	1,856
Equity-settled share award expense	**238**	313
Post-employee benefits	**94**	94
Total compensation paid to key management personnel	**2,233**	2,263

21. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	**Dividends Payable RMB'000**
At 1 January 2018	1,491,230	–
Changes from financing cash flows	198,508	(47,520)
Final 2017 dividend declared	–	47,520
	1,795,368	–

22. 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 2018	31 December 2017
	Unaudited	Audited
	RMB'000	RMB'000
Trade receivables	**39,479**	52,974
Financial assets included in prepayments, deposits and other receivables	**234,569**	250,640
Amounts due from a related party	**54,000**	12,020
Pledged bank deposits	**214,275**	274,365
Cash in transit	**37,008**	19,517
Short-term deposits	**102,866**	55,209
Cash and cash in banks	**886,969**	615,571
	1,569,166	1,280,296

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	RMB'000
Trade and bills payables	**309,366**	389,758
Financial liabilities included in other payables and accruals	**560,240**	138,389
Bank loans and other borrowings	**1,795,368**	1,491,230
	2,664,974	2,019,377

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash in banks, short-term deposits, cash in transit, amounts due from related parties, 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 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 2018 was assessed to be insignificant.

24. EVENTS AFTER THE REPORTING PERIOD

Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.* (北京新豐泰博奧汽車銷售服務有限公司), Ningxia Sunfonda Junmei Automobile Sales Services Co., Ltd.* (寧夏新豐泰駿美汽車銷售服務有限公司), Shanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.* (山西新豐泰駿美汽車銷售服務有限公司), Ordos Sunfonda Kaisheng Automobile Co., Ltd.* (鄂爾多斯市新豐泰凱盛汽車有限責任公司) and Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.* (陝西新豐泰駿美汽車銷售服務有限公司), which comprise five indirect wholly-owned subsidiaries of the Company, as vendor, entered into equity disposal agreements with Shaanxi Country Garden Real Estate Co., Ltd.* (陝西碧桂園置業有限公司), as purchaser, on 16 July 2018. Pursuant to the terms of the equity disposal agreements, the vendor disposed an aggregate of its 100% equity interest in Shaanxi Zewang Industrial Development Co., Ltd.* (陝西澤望實業發展有限公司) to the purchaser at a total consideration of RMB154.864 million. Upon completion of the disposal (i.e. from 17 July 2018), Shaanxi Zewang Industrial Development Co., Ltd.* (陝西澤望實業發展有限公司) ceased to be a wholly-owned subsidiary of the Company. For details of the transaction, please refer to the Company's announcements dated 16 July and 20 July 2018.

Save as the above event, the Company had no other material events that needed to be disclosed after the reporting period.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 August 2018.