Sunfonda Group Holdings Limited
新豐泰集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01771

Annual Report 2015

CONTENTS

CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

新豐泰集團控股有限公司

ENGLISH NAME OF THE COMPANY

Sunfonda Group Holdings Limited

INVESTOR INQUIRIES

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BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhu Wei

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam
Ms. So Yee Kwan

COMPANY SECRETARY

Ms. So Yee Kwan

HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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LEGAL ADVISER

PRC Law

King & Wood Mallesons
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World Financial Center
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Chaoyang District, Beijing
PRC

Hong Kong Law

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AUDITORS

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Certified Public Accountants
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Central, Hong Kong

PRINCIPAL BANKERS

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Xi'an City, Shaanxi Province
PRC

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

STOCK CODE

01771

WEBSITE

www.sunfonda.com.cn

FINANCIAL HIGHLIGHTS

Revenue for the year ended 31 December 2015 decreased by 5.0% to RMB7,487.1 million as compared with the corresponding period in 2014.

Gross profit for the year ended 31 December 2015 decreased by 19.2% to RMB490.7 million as compared with the corresponding period in 2014.

Revenue from after-sales services for the year ended 31 December 2015 increased by 8.2% to RMB797.9 million as compared with the corresponding period in 2014.

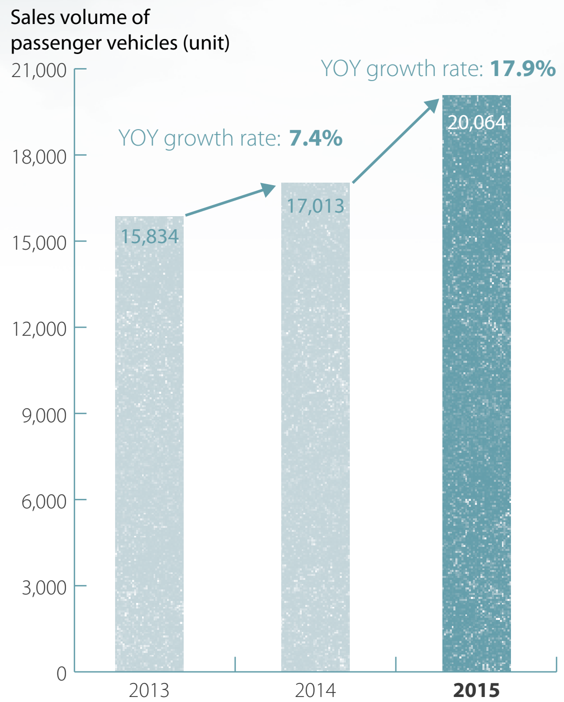
Gross profit margin for after-sales services increased to 47.5% for the year ended 31 December 2015 from 45.2% for the year ended 31 December 2014.

Profit attributable to owners of the parent for the year ended 31 December 2015 decreased by 85.0% to RMB25.9 million as compared with the corresponding period in 2014.

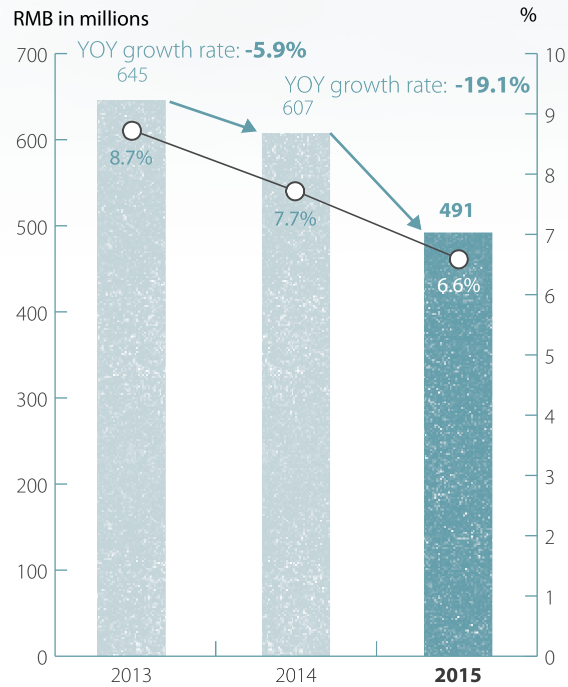
Basic and diluted earnings per share attributable to ordinary equity holders of the parent for the year ended 31 December 2015 was RMB0.04.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2015.

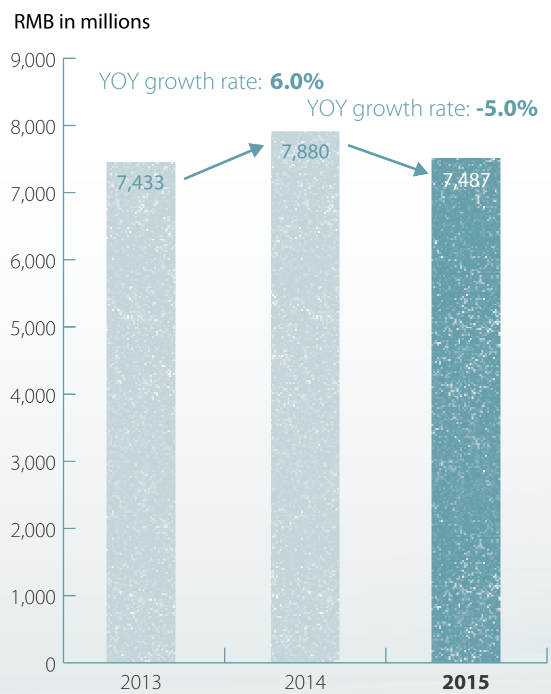
Sales volume of passenger vehicles



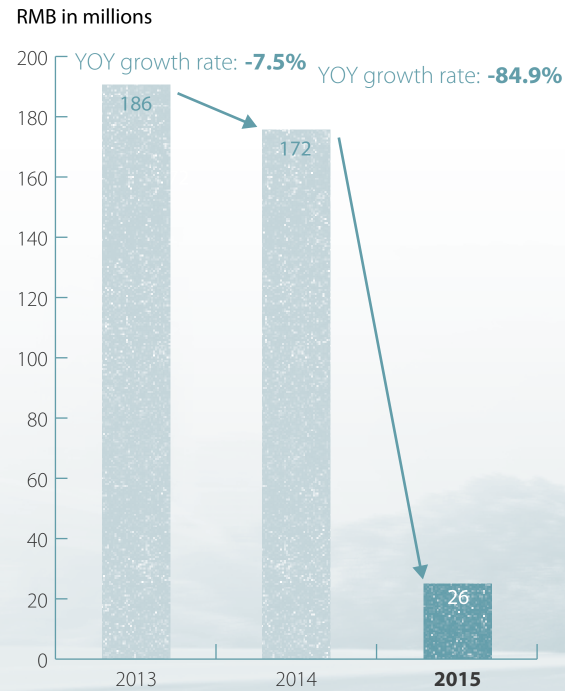
Gross profit and gross profit margin



Revenue



Profit attributable to owners of the Company



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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Sunfonda Group Holdings Limited (the "**Company**"), I am pleased to present the audited annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015.

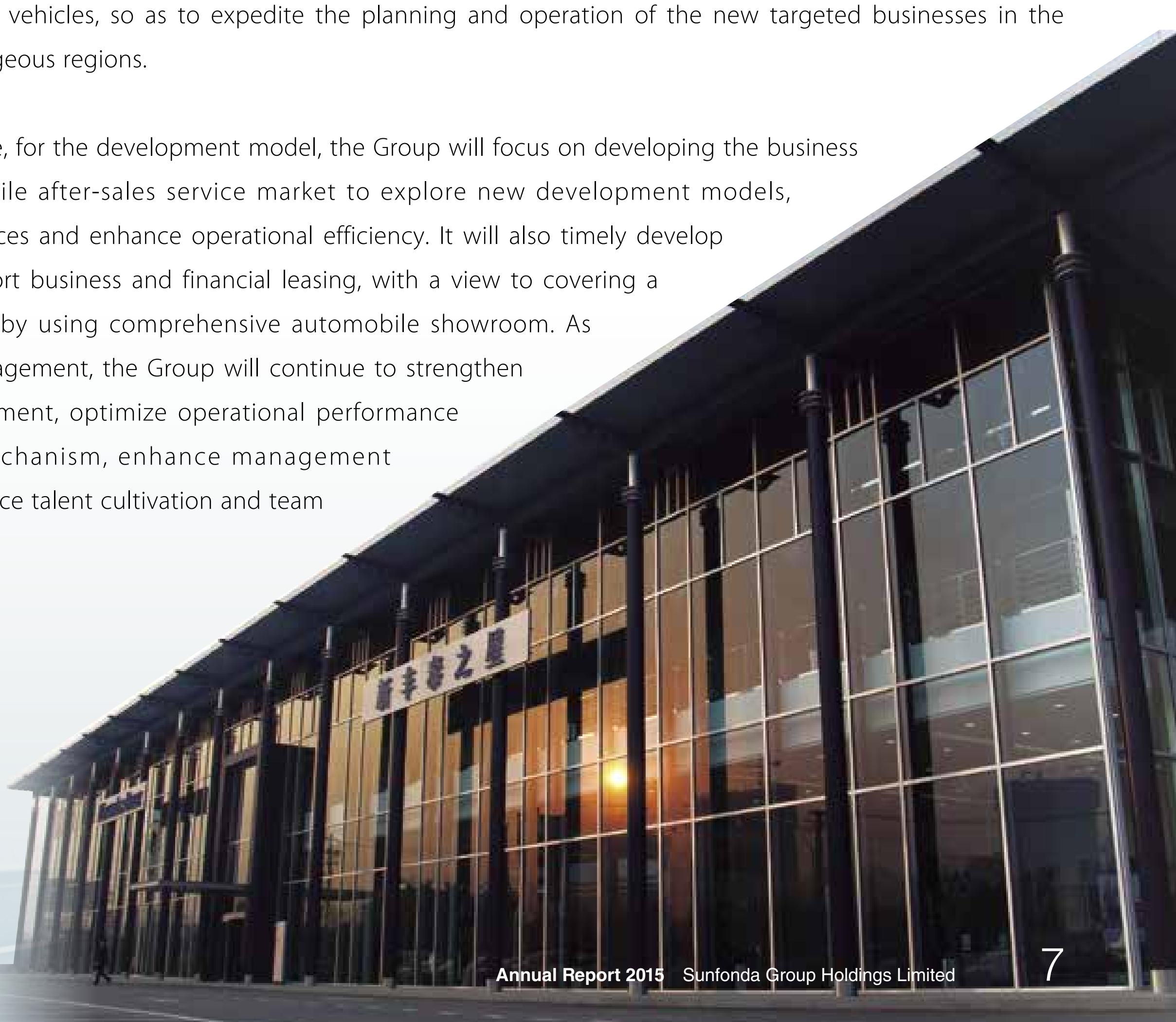
According to the National Bureau of Statistics, the GDP in 2015 was RMB67.67 trillion, up by 6.9% year-on-year in terms of comparable prices, hitting its new low since 1990. The national economy operated steadily as a whole, making progress in stability. However, the pace of growth in different sectors has become more diverse. As shown by the statistics of China Association of Automobile Manufacturers, as compared with last year, the number of manufactured vehicles increased by 3.3% to 24,503,300 units and the sales of vehicles increased by 4.7% to 24,597,600 units in the PRC, reaching record high and demonstrating a steady growth trend as a whole in 2015. The growth rates of the number of manufactured vehicles and sales of vehicles decreased by 4% and 2.2% respectively as compared with 2014.

Given the market landscape with slowdown of economic growth rate and intensifying competition in the automobile sector in the PRC, the Group actively made adjustments and exercised control over its operational management and strategic development by further strengthening its measures in various areas, including refined management, optimization of resources allocation and cost control. At the same time, the Group closely monitored the market conditions and interactions with vehicle brand manufacturers and controlled the inventory level at a reasonable level. During the period under review, the major brands operated by the Group, such as Porsche, Benz and Lexus posted steady performance with an upward trend. With the stable performance of the key brands of the Group, as at 31 December 2015, the sales volume of new automobiles reached 20,064 units, up by 17.9% year-on-year; revenue from after-sales services amounted to RMB797.9 million, up by 8.2% year-on-year, with gross profit reaching RMB378.8 million, representing an increase of 13.7% as compared to the previous period; the profit after tax decreased by 85.5% to RMB25.1 million, as compared with that of RMB172.7 million in the corresponding period of 2014. Earnings per share were RMB0.04, representing a decrease of RMB0.28 per share as compared with the corresponding period last year.

Notwithstanding the overall complex economic environment throughout 2015 and the keen competition among the automobile dealers, the Group continued to maintain a clear direction for its operation and focused on internal management, so as to constantly reinforce the operation of existing brands and strive to establish new growth models for its businesses. For instance, the Group has strengthened its efforts in promoting the new business models, such as decoration, extended warranty, used automobile trading, community care and emergency assistance, etc. Meanwhile, the Group has reasonably controlled the pace of network expansion during the period under review by selectively introducing popular middle-end automobile brands, opening a dealership store in Xi'an City for each of Chang'an Ford and SAIC Volkswagen, as well as a Volvo dealership store in Xianyang City, Shaanxi, all of which has optimized the brand portfolio of the Group. As at the date of this report, the number of 4S dealership stores of the Group has reached 27.

Looking into the future, as the automobile sector in China will face continuing challenges and tests brought by further consolidation and transformation, the Group will continue to leverage its branding and regional advantages to optimize and implement prudent business development strategies, timely adjust the direction of business development to cope with market changes, and further expand and make optimal adjustment to the existing brand operation structure and business models. Meanwhile, the Group will steadily push ahead the development of various businesses, such as special after-sales repairs, used automobile transaction market, automobile e-commerce and new energy vehicles, so as to expedite the planning and operation of the new targeted businesses in the Group's advantageous regions.

At the same time, for the development model, the Group will focus on developing the business in the automobile after-sales service market to explore new development models, centralize resources and enhance operational efficiency. It will also timely develop the parallel import business and financial leasing, with a view to covering a broader market by using comprehensive automobile showroom. As for internal management, the Group will continue to strengthen refined management, optimize operational performance assessment mechanism, enhance management efficiency, reinforce talent cultivation and team



building, and pay attention to its control over operation cost. Albeit market pressure, we are even more confident that, as products are being upgraded and people's consumption power are improving, the Group's business in Northwestern China still has huge market potential. By leveraging the advantages from years of geographical and brand building, we will continue to provide our customers with automobile experience and service of higher quality, increasing the Group's market influence and comprehensive strengths in the region, thereby laying a solid foundation for the sustainable and healthy development of the Group.

Coupled with the implementation of the strategic plans under the "One Belt, One Road" initiatives at the current stage, there is an increasing number of incentives and preferential policies introduced for Western China. Shaanxi is a new starting point of the Silk Road Economic Belt and a major advanced manufacturing base in China. The optimization of portfolio based on policy direction and industrial development will provide unprecedented development opportunities for Shaanxi Province and its neighboring areas. Benefitted from such policies, the Group will also gain new development opportunities in such regions.

In conclusion, amid the slowdown of economic growth rate and intensifying industry competition in the PRC in 2015, the Group managed to sustain steady and healthy development. The success of the year was contributed by the hardwork of all staff and their dedication to the Group, and the faith and support from the shareholders, business partners and customers. In this regard, I, on behalf of the Board, would like to express my sincere gratitude to all the people from different sectors for their outstanding contributions to the development of the Group!

Wu Tak Lam
Chairman

31 March 2016

I. MARKET REVIEW

As affected by various factors such as pressure from macro-economy, slowdown in investments and consumption demands, GDP growth posted a year-on-year decrease to 6.9% in 2015. The slowdown in demand for downstream real estates and infrastructure and loss suffered from the investment in stock market undermined certain consumers' preference to defer car purchase, resulting in slowdown in both investments and consumption demands. The automobile sector was therefore affected to a certain extent. According to the relevant statistics of China Association of Passengers Vehicle (中國乘用車聯會), during the year 2015, the sales volume of general passenger vehicles amounted to 20.58 million units, which represented an increase of 8.5% as compared with the corresponding period last year, indicating a stable and positive growth as a whole and, on the other hand, proving that automobile are regular consumer products with rigid demand. The overall automobile consumption market upsurged following a dip in 2015, among which, the development of luxury and ultra-luxury brands automobile of leading brands that include Porsche, Benz and Lexus showed a strong rising trend.

In particular, the sales of the following brands which the Group owns the dealership, performed very well in 2015. Sales volume reached to approximately 58,000 units of Porsche, 571,000 units of Audi, 374,000 units of Benz, 87,000 units of Lexus and 80,000 units of Cadillac, etc. in PRC in 2015, which represented increases of approximately 23.6%, 1%, 32.6%, 13.1% and 8.9%, respectively as compared with the corresponding period of 2014. Among which, the momentum of Porsche and Benz was notably strong. Meanwhile, Lexus enviable growth in profitability was underscored by its launch of new models. The operational service of automobile products of relevant brands also generated considerable income for the Group.

Given the competition in the automobile market and the steady increase in sales volumes of new automobiles in the fourth quarter of 2015, the cooperation between automobile brands and dealers were increasingly mature and rational. The merger and acquisition of a small number of dealership groups in 2015 due to the problems in respect of operational management and cash flows have caught the attention of various dealership groups, which prompted them streamlining their own businesses and exploring new

business opportunities to nourish new profit centres. The Group operated steadily throughout 2015 by implementing a series of measures, such as developing steadily without excessive expansion and upholding refined management, which has made its advantages more prominent under such competitive environment.

Since the development of the automobile sector in Northwestern China commenced at a later time than that of the Southeastern markets, after the rapid growth in the last few years, it finally showed signs of stabilization. The rigid demand for vehicles was gradually released with a great potential for development. Coupled with the implementation of the strategic plans under the "One Belt, One Road" initiatives in the current stage, there are increasing number of preferential policies introduced for Western China. Benefitted from such policies, the Group gained new development opportunities in such regions. Meanwhile, the Group also gradually expanded into certain new regions with development potential and exploited its advantages in these new markets.

Moreover, the automobile after-sales services market in China continued to show great potential for development and realized rapid growth, especially the after-sales services market for passenger vehicles of luxury and ultra-luxury brands. The increase in number of automobiles ownership, the upgrade in automobile products and the aging of automobiles further enlarged the market breadth in the PRC. Regarding automobile after-sales services, the Group's professional and technical capability continued to enhance customers' loyalty. In addition, the automobile finance market became increasingly active and it is estimated that the total scale of the PRC automobile finance market will reach approximately RMB1.5 trillion in 2020. The estimated penetration rate of automobile finance industry is 50%. The Group has also stepped up its efforts in the management of the automobile financing business and attained satisfactory results in 2015.

II. BUSINESS REVIEW

Given the challenges faced by the automobile dealership industry as a result of the slowdown of economic growth rate and intensifying competition in the automobile industry in 2015, the Group had been closely monitoring the market conditions and taking timely adjustments to the direction of operational management. Meanwhile, by strengthening the establishment of the Group's management system, the overall standard of operational management and capability in coordination and planning have been greatly enhanced, significant achievements have been made in cost saving and broadening our income streams.

Focus on Principal Businesses to Ensure Steady Growth

For sales management, the Group clearly specified the management powers and responsibilities of the functional management department, strengthened its monitoring and guidance to the operation of all stores, thereby effectively enhanced their execution capability and various performance indicators. This, in turn, has protected the Group in times of great pressure under the economy downturn and thus remained profitable in general.

As a leading dealership corporation of luxury and ultra-luxury automobiles in Northwestern China, the performance varied across different businesses of the Group during the year 2015. Among which, the sales of new automobiles faced severe market challenges and recorded a significant decrease in gross profit despite an increase in number of units sold. During the reporting period, the Group's sales of new automobiles reached 20,064 units, representing an increase of 17.9% as compared with the corresponding period in 2014; the total revenue and gross profit amounted to RMB6,689.2 million and RMB111.9 million, representing decreases of 6.3% and 59.1% respectively as compared with the corresponding period in 2014.

For after-sales services, there is an overall downtrend in the automobile after-sales market in 2015. By establishing after-sales customer management system and developing sticky business, the Group has suppressed the decline in business. The after-sales services business was relatively stable and recorded a slight growth. In 2015, the Group has enhanced the gross profit margin of after-sales service by controlling the maintenance costs, as a result, the maintenance gross profit has increased by 13.7% as compared to that of 2014.

As for customer management, the Group changed from passive to active by strengthening the accountability of customer management and continuously establishing and improving the assessment of customer management. At the same time, we have stepped up our efforts in the development and sales of sticky products (warranty renewal and extension business). The enhancement of customer stickiness would help to effectively control the churn rate. For the operating costs of after-sales services, the Group effectively cut down the cost through measures such as stringent internal cost control and centralized procurement. Benefitted from the above factors, the revenue from after-sales services of the Group for 2015 was 797.9 million; and the gross profit margin of after-sales services was 47.5%.

Apart from the two principal businesses of sales of new automobile and after-sales services, the Group's value-added business of new automobile sales also grew steadily. In 2015, the revenue from the financing and new automobile insurance businesses of the Group increased by 18.2% as compared with the corresponding period of 2014.

Strengthening Business Cooperation and Introducing New Development Model

"Tai Auto (泰愛車)" online service platform invested by the Group was officially launched in the fourth quarter of 2015 as a strategic development project. As "Tai Auto (泰愛車)", an "at-home" comprehensive service tool on WeChat, provides customers with more convenient and faster warranty, maintenance and repairing services of better quality, it has been well-received by the customers. The customers of the Group may complete their enquiries, order placing and payments for new or used automobiles, repairing services, spare parts, etc. by using the online tools. The whole process is a great achievement of the Group so that the customers can enjoy a more fashionable and convenient shopping experience. Such online tools may also further improve the loyalty of customers to the Group and further enhance the brand awareness of Sunfonda in China.

In 2015, the Group has maintained a high degree of sensitivity to market changes and followed the market trend to steadily and pragmatically implement the operation and management of dealership stores and the pace of online platform expansion was under reasonable control. The Group adopted a more prudent approach in terms of brand application. Based on the trend of market and industrial development, the Group attempted to introduce new energy vehicle brands and selected brands with high competitiveness. Meanwhile, it has slowed down the pace of application and establishment of traditional automobile brands. During the year under review, the Group has established a dealership store in Xi'an City for each of Chang'an-Ford and Shanghai Volkswagen, and opened a Volvo dealership store in Xianyang City, Shaanxi, all of which has optimized the brand portfolio of the Group. As of the date of this report, the Group has a total of 27 4S dealership stores.

Used Automobile Business

With the rapid growth in the domestic transaction volume of used automobiles in recent years, the Group is extremely conscious that there are great potential for the development goals of used automobile market in future and therefore optimized the business models of used automobile at the Group's operational level and formulated a specific plan for achieving its development goals in mid 2015. Such plan has been thoroughly implemented in the second half of the year, the establishment of structure and position setting of the used automobile teams of the stores of the Group have gradually improved and the overall business capabilities were also significantly enhanced through strengthened and centralized training and assessment. At the same time, the Group has stepped up its efforts in monitoring and management of used automobile business on the operational level by setting specific targets, developing corresponding management tools as well as enhanced performance and position evaluation systems, thereby laying a solid foundation for the rapid development of the used automobile business sector of the Group in 2016.

Rapid Development of Financing and Insurance Businesses

For financing business, we have strengthened our financial cooperation with the suppliers, fully leveraging the advantages of suppliers' financial products to actively explore customers' needs. While maximizing the penetration rate of financial products of suppliers, the Group has also received good economic returns. At the same time, we explored and developed new channels continuously, so as to compensate the lack of timeliness of the financial products and services provided by the suppliers. We also actively enhanced the cooperation with newly developed financial institutions in order to develop more new products to cater for the differentiated demands of customers. These efforts have further improved the penetration rate of financial products and the overall financial penetration rate of the Group in 2015 was considerably higher than that of 2014.

The Group paid close attention to the development of insurance renewal business in 2015. The Group has assigned dedicated personnel to be responsible for management of the business and strengthened the supervision, training, guidance and assessment for insurance renewal. The Group has also given its strong support in terms of policy. With the efforts in the past year, the Group's business model is becoming more mature and there was substantial growth in the overall results, which has generated steady after-sales revenue and actively promoted the increase of stickiness of customers to the Group.

Strengthening Internal Management to Boost Operational Efficiency

The Group continuously enhanced the management functions of the operation and management center of the Group by improving its strategic planning capability and level, gradually optimizing the establishment of operation and management systems and actively exploring aspects such as determination of goals, integration of resources, business optimization, team motivation, establishment of systems and nurturing of corporate culture. Meanwhile, for the operation and management models, the Group attempted to adopt a management model that integrates brand management and regional management by leveraging its own features such as business scale and network distribution, so as to clearly define responsibilities and powers and strengthen its execution capability. After the practical experience in the past year, the management model has generated satisfactory results and provided a reliable basis for the determination of operation and management models of the Group.

In 2015, after over 15 years of hardwork, the Group has provided quality automobile sales and integrated services to more than 100,000 customers. The Group's "Sunfonda" brand received the prestigious title of Shaanxi Famous Trademark (陝西省著名商標). Meanwhile, benefited from the excellent performance of the team, the Group was also granted the title "Global Diamond Dealer" by the headquarter of Volkswagen Group Germany. In 2016, the Group will further strengthen the implementation of the customer management system and pay more attention to maintaining customers' satisfaction and loyalty with a view to further improve the Group's reputation and enhance the market influence in the regions it operates.

III. FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2015 was RMB7,487.1 million, representing a decrease of RMB392.4 million or 5.0% as compared with the corresponding period in 2014. Of which, revenue arising from the sale of new automobiles was RMB6,689.2 million, representing a decrease of RMB452.9 million or 6.3% as compared to that for the corresponding period in 2014. The decrease in revenue arising from the sale of new automobiles was attributable to the fact that automobile manufacturers have launched more car models with lower prices, which has resulted in corresponding adjustments in the sales structure of our car models, and thus the number of sales of low-priced car models increased but our revenue decreased. Meanwhile, larger sales discounts have been offered in order to clear some of the aging car models in the third quarter of 2015. In addition, revenue arising from after-sales services was RMB797.9 million, representing an increase of RMB60.5 million or 8.2% as compared to that for the corresponding period in 2014. The increase in revenue arising from after-sales services was attributable to the increase in business volume through the strengthening of after-sales customer management system and the development of sticky products.

A substantial portion of revenue of the Group was generated from sale of new automobiles, accounting for 89.3% of our revenue for the year ended 31 December 2015 (2014: 90.6%). During the year, the remaining part of revenue of the Group was generated from after-sales services, accounting for 10.7% of our revenue for the year ended 31 December 2015 (2014: 9.4%). Revenue of the Group is mainly derived from our operations in the PRC.

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

	For the year ended 31 December					
	2015			2014		
	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 automobiles						
Luxury and ultra-luxury brands	**6,165,520**	**16,494**	**373.8**	6,892,044	15,462	445.7
Mid-end market brands	**523,671**	**3,570**	**146.7**	250,092	1,551	161.2
Sub-total	**6,689,191**	**20,064**	**333.4**	7,142,136	17,013	419.8
After-sales services	**797,888**			737,392		
Total	**7,487,079**			7,879,528		

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2015 was RMB6,996.4 million, representing a decrease of RMB276.0 million or 3.8% as compared to that for the corresponding period in 2014. Cost of sales of new automobiles for the year ended 31 December 2015 was RMB6,577.3 million, representing a decrease of RMB290.8 million or 4.2% as compared to that for the corresponding period in 2014. The decrease in average cost of sales of new automobile was attributable to the fact that automobile manufacturers have launched more car models with lower prices, which has resulted in corresponding adjustments in the sales structure of our car models, and thus the number of sales of low-priced car models increased but our total costs decreased. Cost of after-sales services for the year ended 31 December 2015 was RMB419.1 million, representing an increase of RMB14.8 million or 3.7% as compared to that for the corresponding period in 2014. The increase in cost of after-sales services was attributable to the fact that the business volume of after-sales services increased as revenue increases. However, the increase in cost of after-sales services was lower than that of the revenue arising from after-sales services as we have reduced part of the cost of after-sales services through centralized procurement.

Gross Profit

Gross profit for the year ended 31 December 2015 was RMB490.7 million, representing a decrease of RMB116.4 million or 19.2% as compared to that for the corresponding period in 2014. Of which, gross profit of sales of new automobiles was RMB111.9 million, representing a decrease of RMB162.0 million or 59.1% as compared to that for the corresponding period in 2014; gross profit of after-sales services was RMB378.8 million, representing an increase of RMB45.7 million or 13.7% as compared to that for the corresponding period in 2014. For the year ended 31 December 2015, gross profit of after-sales services accounted for 77.2% of our total gross profit (2014: 54.9%).

Gross profit margin for the year ended 31 December 2015 was 6.6% (2014: 7.7%). Of which, gross profit margin for sales of new automobiles was 1.7% (2014: 3.8%) and gross profit margin for after-sales services was 47.5% (2014: 45.2%).

Other Net Income and Gains

For the year ended 31 December 2015, other net income and gains amounted to RMB118.2 million, representing a decrease of 41.3% as compared with the RMB201.5 million for the year ended 31 December 2014.

Other net income and gains mainly consists of commission income from automobile insurance agency services and automobile financing agency business, subsidies to advertising expenses offered by automobile manufacturers, logistics and storage income and interest income.

Although commission income from automobile value-added services maintained steady growth and recorded an increase of 18.2% as compared to the corresponding period last year, the reason for the decrease in other net income and gains was the one-off gain of RMB70.4 million generated from our disposal of equity interests in Beijing Sunfonda Boao Commercial Trading Co., Ltd. (北京新豐泰博奧商貿有限責任公司), a subsidiary of the Company, in 2014.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2015 amounted to RMB267.2 million, representing an increase of 7.1% as compared with the RMB249.5 million for the year ended 31 December 2014, mainly due to the increase in salary payments of sales newly hired sales staff, the increase in advertisement and promotion expenses and the increase of the business tax and tax surcharges.

As a percentage of revenue, the selling and distribution costs increased from 3.2% for the year ended 31 December 2014 to 3.6% for the year ended 31 December 2015.

Administrative Expenses

Administrative expenses for the year ended 31 December 2015 amounted to RMB178.3 million, representing a decrease of 4.4% as compared with the RMB186.6 million for the year ended 31 December 2014. The decrease in administrative expenses was attributable to the Group's reasonable control over its administrative expenses.

As a percentage of revenue, the administrative expenses remained flat at 2.4% for the years ended 31 December 2014 and 31 December 2015.

Finance Costs

Finance costs for the year ended 31 December 2015 amounted to RMB121.8 million, representing a decrease of 12.1% as compared with the RMB138.6 million for the year ended 31 December 2014. The decrease was mainly attributable to the decrease in whole-vehicle procurement, the decrease in average inventory which led to a decrease in inventory financing and interest rates of bank borrowings as well as slowdown of loan renewal. The scale of financing declined from RMB1,837.8 million as at 31 December 2014 to RMB1,625.7 million as at 31 December 2015, among which the balance of bank borrowings decreased by RMB284.0 million, and the balance of other financing (including financing from automobile manufacturers and bank commercial bills) increased by RMB71.9 million due to increase of stores in operation for new brands.

Profit Before Tax

As a result of the foregoing, profit before tax for the year ended 31 December 2015 amounted to RMB41.6 million, representing a decrease of 82.2% as compared with the RMB233.8 million for the year ended 31 December 2014.

Income Tax Expense

Income tax expense for the year ended 31 December 2015 amounted to RMB16.5 million, representing a decrease of 73.0% as compared with the RMB61.1 million for the year ended 31 December 2014. The effective income tax rate of the Group for the year ended 31 December 2015 was approximately 39.7%, which was mainly due to the impact of tax losses not recognised as deferred tax assets for some loss-making subsidiaries.

Profit for the Year

As a result of the foregoing, profit for the year ended 31 December 2015 was RMB25.1 million, representing a decrease of 85.5% as compared with the RMB172.7 million for the year ended 31 December 2014.

Profit for the Year Attributable to Owners of the Parent

For the year ended 31 December 2015, profit for the year attributable to owners of the parent was RMB25.9 million, representing a decrease of 85.0% as compared with the RMB172.4 million for the year ended 31 December 2014.

IV. LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the year ended 31 December 2015, our net cash flow generated from operating activities was RMB613.6 million, as compared with the RMB76.6 million of net cash flow generated from operating activities for the year ended 31 December 2014. The increase in net cash inflow of operating activities was mainly attributable to the acceleration of sales of aging inventory, control of procurement pace and the decrease in cost of capital for inventory.

For the year ended 31 December 2015, our net cash outflow for investing activities was RMB225.3 million, as compared with the RMB27.1 million of net cash outflow for investing activities for the year ended 31 December 2014. The increase in net cash outflow of investing activities was mainly attributable to the receipt of RMB303.5 million due to the disposal of subsidiary in 2014 and the expenses for new land use rights of RMB56.8 million in 2015.

For the year ended 31 December 2015, our net cash outflow for financing activities was RMB363.7 million, as compared with RMB387.9 million of net cash inflow for financing activities for the year ended 31 December 2014. The decrease in the net cash flow of financing activities was mainly attributable to the net cash inflows of approximately RMB430.6 million raised through the issuance of new shares in May 2014, as well as the decrease in net borrowings of approximately RMB381.1 million in 2015.

Net Current Assets

As at 31 December 2015, our net current assets amounted to RMB372.1 million, as compared with RMB439.1 million of net current assets as at 31 December 2014. The decrease in net current assets was mainly attributable to the decrease in inventory of RMB391.1 million and the decrease in short-term bank loans and other borrowings of RMB222.1 million.

Inventories

Our inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 31 December 2015, our inventories amounted to RMB692.6 million, representing a decrease of 36.1% as compared with the RMB1,083.7 million as at 31 December 2014, mainly due to the acceleration of sales of aging inventory, control of procurement pace, decrease in inventory turnover days, especially the inventory turnover days for new automobiles, in the third quarter of 2015, as well as the significant decrease in cost of capital for inventory in the second half of 2015.

In 2015, our average inventory turnover days were 45.7 days, slightly longer than the 44.9 days in 2014 (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that year and multiplied by 360 days), mainly attributable to the fact that we had to increase our inventory for the new sales outlets in the first half of the year, but for the second half of the year, we focused on the acceleration of the sales of aging inventory, which has resulted in a similar level as compared to the corresponding period last year.

Bank Loans and Other Borrowings

As at 31 December 2015, our bank loans and other borrowings were RMB1,625.7 million, representing a decrease of 11.5% as compared with RMB1,837.8 million as at 31 December 2014, which was mainly attributable to the Company's strategy to slowdown the development of sales network, maintain steady business operation and lower the cost of capital for inventory. The Company has also supplemented its daily working capital through funds from listing, which has resulted in decreased demand for funding from bank loans and thus utilization of its financial resources in a more effective manner.

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

	As at 31 December			
	2015		2014	
	Effective interest rate (%)	**Amount RMB'000**	Effective interest rate (%)	Amount RMB'000
CURRENT				
Bank loans	**1.4-7.4**	**1,336,512**	4.2-7.8	1,630,586
Other borrowings	**5.6-7.9**	**193,163**	6.5-7.0	121,257
Sub-total		**1,529,675**		1,751,843
NON-CURRENT				
Bank loans	**6.9-7.4**	**96,000**	6.7-7.4	86,000
Total		**1,625,675**		1,837,843
Among which:				
Secured loans		**1,191,839**		930,558
Unsecured loans		**433,836**		907,285
Total		**1,625,675**		1,837,843

As at 31 December 2015, our gearing ratio, which is total debt divided by the equity attributable to owners of the parent, was 102.0%. Total debt includes bank loans and other borrowings.

Pledge of Assets

As at 31 December 2015, certain of our bank loans were secured by charges or pledges over our assets. Our assets subject to these charges or pledges as at 31 December 2015 consisted of: (i) inventories amounting to RMB312.3 million; (ii) property, plant and equipment amounting to RMB258.6 million; (iii) land use rights amounting to RMB160.3 million; and (iv) available-for-sale investments amounting to RMB33.5 million.

As at 31 December 2015, certain of our inventories amounting to RMB291.7 million and pledged bank deposits amounting to RMB269.4 million were pledged as securities for bills payable.

Capital Expenditures and Investment

Our capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. For the year ended 31 December 2015, our total capital expenditures were RMB322.2 million, representing a decrease of approximately RMB110.4 million as compared with the RMB432.6 million for the year ended 31 December 2014.

Contingent Liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities or guarantees.

Staff Cost and Employee Remuneration Policy

Staff cost of the Group increased by 5.4% from RMB173.7 million for the year ended 31 December 2014 to RMB183.0 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in staff cost resulting from the new dealership stores in the second half of 2014 and 2015. At the same time, the Group has streamlined all positions based on its business development and appropriately streamlined the setting of various positions. The Group offers attractive remuneration packages, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and after-sales staff with performance-based bonuses based on their contribution to revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. The performance bonuses are calculated on a monthly basis. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. In order to keep up with the rapid development of the Group's network, the Group also continued to build up its quality talent pool and prudently manage its human resources and made corresponding adjustments to the arrangement of positions based on the changes in overall business volume. Meanwhile, the Group attaches great importance to the reserve of talent and teambuilding. Regular trainings in respect of business skills, expertise and professional qualifications have been provided to key personnel. The Group also pays close attention to the career development of its employees, so as to provide primary drivers for the future development of the Group.

Interest Rate Risk

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

Exchange Rate Risks

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

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

V. FUTURE STRATEGY AND PROSPECTS

New Energy Projects

As the government is increasingly concern about environmental protection, in 2015, the production and sales volume of new energy vehicles in China reached 340,471 units and 331,092 units respectively, representing year-on-year increases of 3.3 times and 3.4 times respectively. At the same time, the government also announced in December 2015 the subsidy policy for new energy vehicles during 2016 to 2020. The Group also closely monitored the progress of new energy vehicles projects. Apart from the authorization granted by DENZA, a new energy automobile brand, the Company is also in the process of negotiation with a few other new energy vehicle manufacturers. Meanwhile, the Company has also studied and explored the layout of charging stations, so as to tap into the field of construction of urban electricity supply system for new energy vehicles. The Group is expected to increase its investment in this business in 2016.

Used Automobile Business

With the increase in number of automobile ownership in the PRC, the frequency of vehicle replacement has increased and the replacement cycle has shortened accordingly. According to the statistics from China Automobile Dealers Association, during January to December 2015, the total volume of used automobile trading in the PRC was 9.417 million units, which represented a year-on-year increase of 2.3%, among which, the volume of used automobile in Northwestern China where the Group operated accounted for only 5.1%, indicating great potential for development. The Group also established professional teams for developing the used automobile business and actively promoted the establishment of the demonstration and trading center for used automobile. Besides, it has commenced to comprehensively cooperate with renowned and professional used automobile websites in China, including yiche.com (易車網), Youxinpai (優信拍) and 58.com (58同城), aiming to establish Sunfonda as a professional brand for used automobile, so as to better satisfy the demand of consumers and ensure steady growth of our customer base. In 2016, the used automobile business is expected to generate great returns to the Group.

Expansion of Internet Sales Channel

Driven by the "Internet+" concept promoted by the PRC Government, more and more consumers choose to conduct enquiries and transactions online. The Group has also commenced its online marketing and attained fruitful results, through which it has established long-term cooperation relationships with famous online platforms in China, including yiche.com (易車網) and autohome.com.cn (汽車之家). In 2015, the number of orders from these new online platform customers accounted for 30% of the total number of orders, and it is expected to further increase in 2016. Meanwhile, the Group cooperated with a renowned We-media in Northwestern China which has attracted customer transactions for the Company. At the same time, the promotion of such online platforms and the official WeChat platform of our own has enhanced customers' understanding of and interests in the Group, thereby further enhancing the stickiness between the Group and the customers.

E-commerce Projects

Meanwhile, "Tai Auto (泰愛車)" online service platform invested by the Group was officially launched in the fourth quarter of 2015 as a strategic development project. As "Tai Auto (泰愛車)", an "at-home" comprehensive service tool on WeChat, provides customers with more convenient, faster, affordable warranty, maintenance and repairing services, it has been well-received by the customers. In respect of the research and development for the "Tai Auto Mall App (泰愛車商城App)", the Company has introduced a professional IT team for program writing. Upon the official launch in 2016, it is expected that "Tai Auto Mall App (泰愛車商城App)" will enable the Group's customers to complete the pre-order and financial leasing of new automobiles by using online tools, which can further enhance customer's satisfaction and enable them to enjoy a more fashionable and convenient shopping experience. The Group estimates that such online tools will improve the customers' loyalty to the Company and further enhance the brand image of Sunfonda nationwide.

"Tai Auto Mall" Community Comprehensive Services Experience Center

As a platform to provide further express after-sales services, the Group also commenced the study and discussion on the design and planning for community comprehensive services experience center, and has completed the establishment and design proposal for the project in 2015. It is expected to establish the physical network covering the major communities in Xi'an district successively in 2016, thereby achieving seamless connection of online and offline networks by leveraging the "Tai Auto Mall App (泰愛車商城App)" and WeChat terminal. The experience center not only can provide after-sale services for automobiles, but may also integrate the operational strategy and principle of the Group of "People – Automobile – Health" to provide customers with demonstration and experience of health-related products. The Group estimated that these businesses will achieve a significant contribution in 2016.

Looking into the future, the Group will continue to leverage on its brand and geographical advantages and exert greater efforts in enhancing and implementing the above new business models on the basis of steady development in traditional business segments, in order to boost the profit growth. Meanwhile, the Group will also pay close attention on and consider the opportunities for acquisition or merger as appropriate, with an aim to further enhance the overall profitability of the Group, create greater returns for the shareholders and realize sustainable and solid development of the Group.

Directors

Executive Directors

Mr. Wu Tak Lam (胡德林), aged 54, was appointed as the Chairman and an executive director of the Company on 13 January 2011. He is also the Chairman of the Nomination Committee of the Company. Mr. Wu founded the Group with Ms. Chiu Man in November 2000 and has been primarily responsible for the strategic management, planning and business development of the Group as well as development and maintenance of relationship with automobile suppliers of the Group. Mr. Wu serves as the chairman of the board and a director of each of the subsidiaries of the Company, and he has also been a director of Sunfonda (Hong Kong) Limited since April 1997. Prior to the establishment of the Group, Mr. Wu worked at China National Automotive Industry Sales Corp. (中國汽車工業銷售總公司) from July 1986 to December 1992. From August 1993 to March 1997, Mr. Wu was the managing director of Sunfonda Limited (新豐泰有限公司), which conducted import and export trade business and was dissolved in September 2002. He graduated from Wuhan Institute of Technology (武漢工學院, currently known as Wuhan University of Technology (武漢理工大學)) in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. He is also the sole shareholder and director of Golden Speed Enterprises Limited ("**Golden Speed**", a controlling shareholder of the Company), a director of Top Wheel Limited ("**Top Wheel**", a controlled corporation of Golden Speed and a controlling shareholder of the Company), and the husband of Ms. Chiu Man (the chief executive officer of the Group, an executive director and a controlling shareholder of the Company).

Ms. Chiu Man (趙敏), aged 52, was appointed as the chief executive officer of the Group and an executive director of the Company on 13 January 2011. Ms. Chiu founded the Group with Mr. Wu Tak Lam in November 2000 and has been primarily responsible for the overall management and financial control of the Group. Ms. Chiu serves as a director in each of the subsidiaries of the Company and has also been a director of Sunfonda (Hong Kong) Limited since April 1997. Ms. Chiu graduated from Wuhan Institute of Technology majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. She is also the sole shareholder and director of Win Force Enterprises Limited ("**Win Force**", a controlling shareholder of the Company), a director of Top Wheel (a controlled corporation of Win Force and a controlling shareholder of the Company), and the wife of Mr. Wu Tak Lam (the Chairman, an executive director and a controlling shareholder of the Company).

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND SECRETARY

Mr. Jia Ruobing (賈若冰), aged 41, was appointed as an executive director of the Company on 11 June 2012. Mr. Jia joined the Group in October 2011 and served as the chief operating officer of the Group from October 2011 to June 2015, primarily responsible for the overall operation of the Group. He has been the vice president of the Group since July 2015, primarily responsible for the strategic development, e-commerce, marketing and public relations of the Group. Mr. Jia also serves as a director of Grand Forever Enterprises Limited and Sunfonda (Hong Kong) Limited, both are subsidiaries of the Group. Prior to joining the Group, he served as the luxury brand general manager of China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 01728), from September 2010 to September 2011, and as the Beijing regional sales director of Beijing Yan De Bao Automobile Sales Co., Ltd. (北京燕德寶汽車銷售有限公司) from June 2005 to August 2010, during which he was awarded the title of General Manager of Outstanding Mini Team 2009 and granted a Top Sales Performance Award from BMW China on 20 January 2010. Mr. Jia graduated from South China University of Technology (華南理工大學) in Guangzhou, China, majoring in international trade in July 1996. He obtained an executive diploma in management from the School of Business and Management of the Hong Kong University of Science and Technology in February 2008.

Mr. Xia Kun (夏坤), aged 51, was appointed as an executive director of the Company on 20 November 2014. Mr. Xia was appointed as the after-sales service general manager of the Group on 1 January 2012, responsible for the management of after-sales services of the subsidiaries of the Company. Mr. Xia joined the Group in October 2001. He has been the general manager of Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd. (西安新銘洋豐田汽車銷售服務有限公司) since March 2009. He previously served as the general manager and the service director of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from September 2006 to March 2009 and from October 2001 to September 2006, respectively. Prior to joining the Group, Mr. Xia worked as an assistant to the director of Shaanxi Water, Electricity and Automobile Maintenance General Factory (陝西省水電汽車維修總廠) from July 1989 to June 2001. Mr. Xia graduated from Xi'an Highway Institute ((西安公路學院), currently known as Chang'an University (長安大學)) in Xi'an, China, majoring in automobile application engineering and obtained a bachelor's degree in engineering in July 1989.

Non-executive Director

Mr. Zhu Wei (朱偉), aged 53, was appointed as a non-executive director of the Company on 21 April 2011. Mr. Zhu also serves as a director of Sunfonda (Hong Kong) Limited, a subsidiary of the Company. He also holds directorships in Golden Dragon Precise Copper Tube Group Inc. (金龍精密銅管集團股份有限公司) in Henan, Shandong Sangle Solar Energy Co., Ltd. (山東桑樂太陽能有限公司), Wuhan Ecoplast Technologies Inc. (武漢華麗環保科技有限公司) and Kuka Furnishing Holdings Co., Ltd. (顧家家居股份有限公司). Mr. Zhu joined Standard Chartered PLC (HKEx: 02888; LSE: STAN; NSE: STAN) in September 2009 as a managing director, primarily responsible for the bank's direct investment business in the Greater China Region. Prior to joining Standard Chartered PLC, he was a senior managing director of CVC Asia Pacific Ltd. (CVC亞太投資有限公司) from July 2008 to July 2009, responsible for investments in China. He served as the managing director of Goldman Sachs Gao Hua Securities Co., Ltd. (高盛高華證券有限責任公司) from November 2005 to July 2008, responsible for investment banking business in Shanghai. He was the president of the China Region of Roland Berger Strategy Consultants (羅蘭貝格管理諮詢有限公司) from April 2004 to November 2005. He joined A.T. Kearney, Inc. (科爾尼管理顧問有限公司) in April 1993 and served as the vice president of A.T. Kearney, Inc. and managing director of its Greater China Region from October 2001 to January 2004. Mr. Zhu obtained a bachelor's degree in foreign affairs from Georgetown University (喬治城大學) in Washington, DC in the US in 1986 and a master's degree in business administration from The University of Chicago (芝加哥大學) in Chicago, Illinois in the US in 1992.

Independent non-executive Directors

Mr. Liu Jie (劉傑), aged 52, was appointed as an independent non-executive director of the Company on 19 June 2012. He is also the Chairman of the Audit Committee, a member of both the Nomination Committee and the Remuneration Committee of the Company. Mr. Liu has been a professor and supervisor of Ph.D candidates at the School of Economics and Management of Tongji University since July 2000, a professor and supervisor of Ph.D candidates at the School of Management of Fudan University since April 2004, a part-time professor and supervisor of Ph.D candidates at the School of Economics and Management of Tongji University since September 2005, and a honorary professor in the Faculty of Business and Economics of the University of Hong Kong since September 2011. From October 1995 to January 1998, Mr. Liu was the deputy general manager of Shanghai Tongji Science & Technology Industrial Co., Ltd. (上海同濟科技實業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600846). Mr. Liu has also served as the chairman of the board and general manager of Shanghai Tongji Travel Agency Co., Ltd. (上海同濟旅行社有限公司) since February 1997 and as the chairman of the board and general manager of Shanghai Tongji Biological Products Co., Ltd. (上海同濟生物製品有限公司) since April 1997. He was a director of Shanghai Tongji Science & Technology Industrial Co., Ltd. from May

1997 to June 2005, an independent director of Shanghai Material Trading Co., Ltd. (上海物貿中心股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600822) from October 2001 to June 2007, and an independent non-executive director of China Cyber Port (International) Company Limited (神州奧美網絡（國際）有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 08206) from February 2007 to October 2008. Mr. Liu graduated from Tongji University (同濟大學) in Shanghai, China, majoring in industrial automation, and obtained a bachelor's degree and a master's degree in engineering in July 1987 and December 1990, respectively. He graduated from the same university majoring in management science and engineering and obtained a doctoral degree in engineering in July 1995.

Mr. Yu Yuanbo (于元渤), aged 47, was appointed as an independent non-executive director of the Company on 19 June 2012. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Yu has been the general manager of Beijing Used Cars Network Technology Co., Ltd (北京中古車網科技有限公司) since November 2015. Mr. Yu was the vice chairman of China Automobile Dealers Association (中國汽車流通協會) from January 2005 to October 2015, mainly responsible for collection and publication of statistics related to the China automobile industry. From September 2003 to October 2005, Mr. Yu served as the vice president of China Huahai Investment & Guaranty Co., Ltd. (中國華海投資擔保有限公司), and served as the vice general manager of Huaxing South Automobile Trading Co., Ltd. (華星南方汽車貿易有限公司) from July 2001 to September 2003. Prior to this, he worked in various government agencies, including as the supervisor (at the director level) of the Supervisory Board of Central Enterprise Work Commission (中央企業工委監事會) from February 2001 to July 2001, the secretary (at the deputy-director level) of the Office of the State Bureau of Internal Trade (國家國內貿易局辦公室) from September 1997 to February 2001, the deputy director of the consumer product circulation department and the general office of the Ministry of Internal Trade (國內貿易部) from September 1993 to September 1997, and a cadre of the Infrastructure Storage and Transportation Division of Department of Commerce (商業部基建儲運司) from July 1991 to September 1993. Mr. Yu graduated from Tianjin Business School (天津商學院, currently known as Tianjin University of Commerce (天津商業大學)) located in Tianjin, China, majoring in packaging engineering, and obtained a bachelor's degree in engineering in July 1991. He graduated from a postgraduate class at Beijing Technology and Business University (北京工商大學) in Beijing, China, majoring in industrial economics in July 2000.

Mr. Fu Johnson Chi-King (符致京), aged 61, was appointed as an independent non-executive director of the Company on 18 January 2014. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Fu was the chief executive officer of Kingold Group Companies Ltd in Guangzhou, China, and has investments in real estate, hotels, resorts, media, education and IT. He was an independent non-executive director of China Hanking Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 03788) from February 2011 to May 2015, where he served as a member of the audit committee and therefore extensively participated in reviewing and analyzing the company's financial reports and diligently supervised and assessed the company's internal controls. Mr. Fu's major recent work experience in the financial industry is summarized below. From January 2011 to February 2013, he served as the regional manager (China) for Rabobank Netherland. From February 2010 to August 2010, he served as a director and the chief executive officer of ChemChina Finance Co., Ltd. (中國化工財務有限公司), a wholly-owned subsidiary of the Chinese state-owned China National Chemical Corporation (中國化工集團公司), where he was fully responsible for managing the cashflow and investment of ChemChina Finance Co., Ltd.. From August 2005 to May 2009, he worked for Hang Seng Bank Limited, Hong Kong, held the position of an executive director and the chief executive officer of Hang Seng Bank (China) Limited (恒生銀行(中國)有限公司) during the period, and participated in the preparation and review of the financial information that are consolidated into the public financial statements of Hang Seng Bank Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 00011). Prior to August 2005, Mr. Fu held various management positions in a number of financial institutions and other companies. Mr. Fu obtained a bachelor's degree in business administration from Loyola University (洛約拉大學) in New Orleans, Louisiana in the US in 1975 and a master's degree in business administration from the University of California, Berkeley (加州大學柏克萊分校) in Berkeley, California in the US in 1976.

SENIOR MANAGEMENT

Mr. Cheng Wai Ho (鄭衛豪), aged 50, was appointed as Chief Financial Officer of the Group on 15 June 2015. Mr. Cheng has over 20 years of working experience, including 10 years of working experience in investments of international investment banks and analysis on the real estate industry (including Goldman Sachs (Asia) Ltd and CLSA Ltd), and 8 years of experience as Chief Financial Officer in listed companies and financial institutions handling works in relation to financial management and consolidated management. Mr. Cheng is particularly experienced in investment and financing, restructuring and listing application, mergers & acquisitions, operation and development as well as strategic management and accounting in multinational enterprises, Chinese private enterprises and real estate enterprises. Mr. Cheng Wai Ho has been Chief Financial Officer and general manager of Dynasty Capital Partners Ltd. during 2011 to 2015, and Chief Financial Officer and executive director of China New Town during 2006 to 2010. He is a Certified Public Accountant and a fellow member of CPA Australia and possesses a bachelor's degree in Economics (B. Soc. Sc. in Economics) from The University of Hong Kong and a master's degree in finance (M. Sc. Finance) from Strathclyde Business School, Scotland.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND SECRETARY

Mr. Liu Zhanli (劉戰利), aged 43, was appointed as the general manager of the Audi brand segment of the Group on 1 January 2012, responsible for Audi brand management and network development. Mr. Liu joined the Group in October 2003 and has been the department manager and the general manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) since then. Prior to joining the Group, he worked as a salesman in Xi'an Jiuyuan High Voltage Capacitor Factory (西安九元高壓電容器廠) from December 1995 to October 2003. Mr. Liu graduated from Xi'an Statistical Institute (西安統計學院, currently known as Xi'an University of Finance and Economics (西安財經學院)) in Xi'an, China with a college diploma in economics in July 1995.

Mr. Ma Xiao Dong (馬曉東), aged 49, was appointed as the vice president of the Group on 13 August 2014, responsible for daily operational management of the Group. Prior to joining the Group, Mr. Ma worked in the Port of Dalian Authority as a staff from July 1990 to December 1997, and worked as the general manager of 美國年氏投資公司會所 from January 1998 to February 2000. He served as sales director of business division in 福州神龍集團 from March 2000 to February 2004 and as the general manager of the 4S stores of 長春日產凱紳 from April 2004 to October 2005. From December 2005 to June 2014, Mr. Ma worked in Zhongsheng Group Holdings Limited (中升集團控股有限公司) and served as the general manager of Nissan brand, Audi brand, Toyota brand, the general manager of Southwestern region for Toyota brand and the general manager of Yunnan region, respectively. Mr. Ma graduated from Dalian Maritime Transportation Institute ((大連海運學院), currently known as Dalian Maritime University (大連海事大學)) in Dalian, PRC in July 1990 and obtained a bachelor's degree in ship electrical management engineering.

COMPANY SECRETARY

Ms. So Yee Kwan (蘇漪筠), aged 34, was appointed as the company secretary of the Company on 18 January 2014. Ms. So is a manager of the corporate services division of Tricor Services Limited, which is a global professional services provider specializing in integrated business, corporate and investor services. She has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many companies listed on the Hong Kong Stock Exchange for the past eleven years. Ms. So is a Chartered Secretary and an Associate of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. So received a bachelor's degree in international business management from Oxford Brookes University (牛津布魯克斯大學) in the United Kingdom and a Master of Arts in Professional Accounting and Information Systems from City University of Hong Kong (香港城市大學).

CORPORATE GOVERNANCE PRACTICE OF THE COMPANY

The Board believes that effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and enhance the interests of the shareholders. The Company has adopted the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company regularly reviews its corporate governance practice to ensure the compliance with the CG Code.

The Board is of the view that the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2015 (the "**Reporting Period**"). The major corporate governance principles and practices of the Company are summarised as below.

BOARD

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

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

BOARD COMPOSITION

The board composition of the Company as at 31 December 2015 and the date of this report were as follows:

Executive Directors:

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

Non-executive Director:

Mr. Zhu Wei

Independent Non-executive Directors:

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

The biographical details of the current directors and the relationship among them, if any, are set out on pages 25 to 30 of this annual report.

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

Board Meeting

During the Reporting Period, the Board has convened four meetings to discuss and approve the overall strategies and policies of the Company, review and approve the audited annual results of the Group for the year ended 31 December 2014, review and approve the unaudited interim results of the Group for the six months ended 30 June 2015, discuss on the reporting and proposals of all Board committees, discuss and approve the appointment of Mr. Cheng Wai Ho as the Chief Financial Officer of the Company/the Group, consider whether the Company's continuing connected transactions for the year 2015 exceeded the annual cap set, review the risk management and internal control system of the Group, discuss and approve the amendments on the CG Code in relation to risk management and internal control, and update the terms of reference and operation model of the Audit Committee accordingly.

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

At the forthcoming annual general meeting of the Company ("**2016 AGM**"), Mr. Jia Ruobing, Mr. Xia Kun and Mr. Liu Jie shall retire in the 2016 AGM pursuant to the provisions of the Articles of Association stated in the foregoing paragraph. The three retiring directors are all eligible and willing to be re-elected at the 2016 AGM. The Board and the Nomination Committee have made recommendations for their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the aforesaid retiring directors as required by the Listing Rules.

TRAINING FOR DIRECTORS

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

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

DIRECTORS' LIABILITY INSURANCE

The Company has purchased director liability insurance for all directors.

POLICY ON DIVERSIFICATION OF THE BOARD

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

The Nomination Committee will review the policy when appropriate to ensure the effectiveness of the policy. The Nomination Committee will discuss any necessary amendment that may need to make and make recommendations to the Board for approval.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

Ms. Chiu Man is the Chief Executive Officer, who performs the functions of the Chief Executive Officer and is responsible for overseeing our operations and investment, managing our relationship with automobile manufacturers and exploring new business opportunities for the Group.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

Members of the Audit Committee	Attendance/ No. of meetings held	Attendance rate (%)
Mr. Liu Jie	3/3	100%
Mr. Yu Yuanbo	3/3	100%
Mr. Fu Johnson Chi-King	3/3	100%

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

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2014, relevant accounting principles and practices adopted by the Group and internal controls related matters, and the proposed re-appointment of the external auditors;

— Review and discussion of the interim financial statements, results announcement and interim report for the six months ended 30 June 2015, and relevant accounting principles and practices adopted by the Group;

— Review of the Group's continuing connected transactions;

— Review and inspection of the performance and effectiveness of risk management and internal control systems; and

— Review of the annual audit plan, which included the nature and scope of audit, fees payable to the auditors, their reporting obligations and working plans.

The external auditor has attended all the above-mentioned meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the engagement of external auditor.

REMUNERATION COMMITTEE

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

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

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

During the Reporting Period, the Remuneration Committee has generally reviewed and discussed the remuneration packages and benefits policies for the directors and senior management of the Group.

Pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration bands (RMB)	Number of individuals
0-500,000	2
500,001-750,000	1

Details of the remuneration of all directors of the Company for the year ended 31 December 2015 are set out in Note 8 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

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

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

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

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

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

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

— Consideration of and recommendation to the Board on the re-election of the retiring directors at the 2015 annual general meeting; and

— Assessment of the independence of the independent non-executive directors.

MODEL CODE ON SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the directors' dealings in the Company's securities. Specific enquiry has been made to all the directors of the Company and each director has confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

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

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

TRAINING FOR COMPANY SECRETARY

The company secretary of the Company is Ms. So Yee Kwan from Tricor Services Limited, who has met the qualifications as required by the Listing Rules. The biography of Ms. So is set out in the section headed "Biographies of Directors, Senior Management and Secretary" of this annual report. The major contact persons of Ms. So Yee Kwan in the Company are Ms. Chiu Man (the Company's executive director) and/or Mr. Cheng Wai Ho (the Company's chief financial officer).

During the year ended 31 December 2015, Ms. So Yee Kwan has received relevant professional trainings of no less than 15 hours.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 61 and 62. The external auditors of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, and auditors' independence.

The fees paid/payable to Ernst & Young, the Company's auditors, in respect of audit services and non-audit services provided for the year ended 31 December 2015 are analysed below:

Types of service provided by the external auditors	Fees paid/payable RMB
Audit services	
– audit fee for the year ended 31 December 2015	2,080,000
Non-audit services	–
Total:	2,080,000

RISK MANAGEMENT AND INTERNAL CONTROL

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

According to the findings of the Audit Committee, the conclusions made by the Audit Committee on risk management and internal control of the Group for the year ended 31 December 2015 are as follows: (i) the Group's risk management and internal control systems have been highly efficient and adequate; (ii) the Group has necessary control system in place for monitoring and rectifying any non-compliance incidents; and (iii) the Group has complied with the requirements as set out in the CG Code in respect of risk management and internal control.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

During the year ended 31 December 2015, the Company held two shareholders' meetings, being the 2015 annual general meeting held on 29 May 2015 and an extraordinary general meeting held on 30 October 2015. Details of individual attendance of each director at the aforesaid shareholders' meetings are set out below:

Name of Directors	Attendance/ No. of annual general meeting held	Attendance/ No. of extraordinary general meeting held	Attendance rate (%)
Executive Directors:			
Mr. Wu Tak Lam	1/1	1/1	100
Ms. Chiu Man	1/1	1/1	100
Mr. Jia Ruobing	1/1	1/1	100
Mr. Xia Kun	1/1	1/1	100
Non-executive Director:			
Mr. Zhu Wei	1/1	0/1	50
Independent Non-executive Directors:			
Mr. Liu Jie	1/1	0/1	50
Mr. Yu Yuanbo	1/1	0/1	50
Mr. Fu Johnson Chi-King	1/1	0/1	50

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

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

RIGHTS OF SHAREHOLDERS

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Company's material developments to shareholders and investors. The annual general meetings of the Company provide a good opportunity for communication between shareholders and the Board.

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

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

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

For more details of rights of shareholders, shareholders may refer to the Articles of Association of the Company.

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

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

CHANGE OF THE ARTICLES OF ASSOCIATION

At the Company's annual general meeting held on 29 May 2015, the amendment to Article 18.1 of the Articles of Association was approved and passed by the shareholders of the Company with a view to clearly define the authority of the Board in approving the provision of financial assistance to the subsidiaries of the Company. The latest versions of the Memorandum and Articles of Association of the Company, as amended, have been published on the websites of the Company and the Stock Exchange on 5 June 2015. For more details of the above amendment, shareholders may refer to the Articles of Association of the Company and the circular and announcement of the Company dated 28 April 2015 and 27 March 2015, respectively. Save as disclosed above, no change on the constitutional documents has been made by the Company during the Reporting Period.

The directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

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

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

(ii) after-sales services, including:

- a. maintenance and repair services;
- b. sales of spare parts; and
- c. automobile detailing services; and

(iii) other value-added services, including:

- a. automobile insurance agency services;
- b. automobile financing services;
- c. automobile licensing services; and
- d. automobile survey services.

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

ANALYSIS ON RESULTS AND FINANCIAL KEY PERFORMANCE INDICATORS

The Group's profits for the year ended 31 December 2015 and the financial position of the Company and the Group as at that date are set out in Financial Statements on page 63 and pages 65 and 66 of this annual report.

A review of the Group's business during the year, which includes a discussion on the principal risks and uncertainties faced by the Group, an analysis on the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, can be found in this Report of the Directors and the Management Discussion and Analysis as set out on pages 9 to 24 of this annual report. The business review forms part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year, the Group focused on improving its performance in environmental protection, enhancing the awareness of environmental protection and proactively addressing the environmental issues. The Group endeavoured to adopt various energy saving and emission reduction measures in its business operation, so as to reduce the consumption of natural resources by using environmentally-friendly products and verified materials. Meanwhile, the Group engaged qualified and professional hazardous waste treatment organizations by way of public tender to carry out centralized collection and treatment of hazardous waste, with an aim to minimizing the environmental pollution. The department of general affairs of the Group regularly inspects and monitors the treatment results.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board has attached great importance to the Group's compliance with national and international laws, regulations and regulatory requirements. For the year ended 31 December 2015, as far as the Board is aware, there was no material breach of the laws or regulations that have a significant impact on the Company's business and operation by the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company's 2016 annual general meeting will be held on Tuesday, 31 May 2016. In order to determine shareholders' entitlement to attend and vote at the 2016 annual general meeting, the register of members of the Company will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016 (both days inclusive). In order to be entitled to attend and vote at the 2016 annual general meeting, unregistered holders of shares of the Company should ensure that all the share transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 26 May 2016.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended 31 December 2015 to shareholders of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the year are set out in Note 13 to the Financial Statements.

SHARE CAPITAL

As of the date of this report, the authorised share capital of the Company was US$100,000.00, divided into 1,000,000,000 shares of a par value of US$0.0001 each. There were no movements in the issued shares of the Company during the year. Details of the Company's share capital are set out in Note 30 to the Financial Statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the year are set out in Note 43 and 32 to the Financial Statements and in the consolidated statement of changes in equity, respectively. Of which, details of reserves available for distribution to shareholders are set out in Note 43 and 32 to the Financial Statements.

POST BALANCE SHEET EVENTS

There is no significant post balance sheet events undertaken by the Group after 31 December 2015.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the distributable reserves of the Company available for distribution, calculated based on the Companies Law of Cayman Islands, amounted to approximately RMB347.1 million in aggregate. Final dividend was not recommended to be distributed for the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

USE OF PROCEEDS

For the year ended 31 December 2015, the Group utilized the proceeds raised cautiously based on the development of the market and the Group's business. During 2015, the Group made capital contribution of US$20.0 million for the establishment of Sunfonda (China) Investment Company Limited (新豐泰(中國)投資有限公司) in Shanghai Free-Trade Zone as a holding platform for the diversification of our business development in China, which will provide working capital for our business development and thus reduce bank loans and lower the Group's overall financial costs.

MAJOR CUSTOMERS AND SUPPLIERS

Transaction amounts with five largest customers of the Company for 2015 accounted for less than 30% of the operating income of the Company for 2015. None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year.

The purchase attributable to the Group's five largest suppliers and the largest supplier accounted for approximately 89.0% and 31.0% respectively of the Group's total purchase for the year ended 31 December 2015.

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

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2015 are set out in Note 25 to the Financial Statements.

CHARITABLE DONATIONS

For the year ended 31 December 2015, the Group did not make any charitable donations.

DIRECTORS

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

Executive Directors

Mr. Wu Tak Lam
Ms. Chiu Man
Mr. Jia Ruobing
Mr. Xia Kun

Non-executive Director

Mr. Zhu Wei

Independent Non-executive Directors

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

In accordance with the requirements of the Articles of Association of the Company, Mr. Jia Ruobing, Mr. Xia Kun and Mr. Liu Jie will retire by rotation at the 2016 AGM and, being eligible, will offer themselves for re-election at the 2016 AGM.

BIOGRAPHIES OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the directors and the senior management are set out on pages 25 to 30 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

None of the directors who are proposed for re-election at the 2016 AGM has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

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

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every director, auditor or other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a director, auditor or other officer of the Company in defending any proceedings, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for directors and officers of the Company.

PENSION SCHEME

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries or parent companies, or any subsidiaries of the parent companies of the Company was a party and in which any director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2015, none of the directors nor their associates has competing interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

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

As at 31 December 2015, the interests of the Company's directors in the shares of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which were required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or as were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1	359,592,000	59.93%
Ms. Chiu Man	Interest held by controlled corporations	1	359,592,000	59.93%
Mr. Jia Ruobing	Beneficiary of a trust	2	220,000	0.03%
	Beneficial owner		40,000	0.01%
			260,000	0.04%
Mr. Xia Kun	Beneficiary of a trust	3	80,000	0.01%
	Beneficial owner		20,000	0.01%
			100,000	0.02%

Notes:

(1) These shares are held as to 351,000,000 shares by Top Wheel and 8,592,000 shares by Westernrobust Company Limited ("**Westernrobust**").

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

The entire issued share capital of Westernrobust is owned by a revocable discretionary trust (the "**Management Trust**") established for the purposes of recognizing and rewarding the contribution and performance of certain directors and senior management of the Group pursuant to the Pre-IPO Share Award Scheme adopted by the Company on 8 January 2014 (the "**Pre-IPO Share Award Scheme**"). Top Wheel is the settlor of the Management Trust and possesses all voting rights attached to the unawarded shares and awarded shares which have not been vested under the Management Trust. Thus, the Management Trust and Top Wheel are deemed to be interested in the 8,592,000 shares held by Westernrobust. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are also deemed to be interested in the 8,592,000 shares of the Company held by Westernrobust pursuant to Part XV of the SFO.

(2) Mr. Jia Ruobing is deemed to be interested in these 220,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

(3) Mr. Xia Kun is deemed to be interested in these 80,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2015.

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

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

Note: Mr. Wu Tak Lam holds the entire issued share capital of Golden Speed which holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu Man (an executive director of the Company), through her wholly-owned investment company, Win Force. As Top Wheel holds more than 50% of the issued share capital of the Company and Golden Speed holds more than 50% of the issued share capital of Top Wheel, Top Wheel and Golden Speed are the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of issued shares of the associated corporation as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive of the Company had 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, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the below sections headed "Share Option Scheme" and "Pre-IPO Share Award Scheme", neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries or its parent companies or its fellow subsidiaries was a party and the objectives of or one of the objectives of such arrangement are/is to enable the Company's directors, their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2015, the following corporations had interests of 5% or more of the issued share capital of the Company which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary share of the Company

Name of shareholder	Capacity/Nature of Interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Top Wheel Limited	Beneficial owner	1	351,000,000	58.50%
	Founder of a discretionary trust	1	8,592,000	1.43%
			359,592,000	59.93%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	359,592,000	59.93%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	359,592,000	59.93%
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 31 December 2015.

Save as disclosed above, as at 31 December 2015, 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 a registered interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

During the year ended 31 December 2015, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme 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 at 31 December 2015, the Company has granted an aggregate of 2,002,000 shares to grantees in accordance with Share Award Scheme. Details of the Pre-IPO Share Award Scheme were disclosed in the Company's prospectus and Note 31(a) to the Financial Statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the above sections headed "Share Option Scheme" and "Pre-IPO Share Award Scheme", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company, or any of its subsidiaries and the controlling shareholder or any of its subsidiaries during the year ended 31 December 2015.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

CORPORATE GOVERNANCE

Please refer to the Corporate Governance Report on pages 31 to 44 of this annual report for details.

PUBLIC FLOAT

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

MATERIAL LITIGATION

During the year ended 31 December 2015, the Group was neither involved in any material litigation or arbitration, nor may be brought up or accused of any pending material litigation or claims.

AUDIT COMMITTEE

The Audit Committee (consisting of the three independent non-executive directors of the Company) has reviewed the consolidated financial statements for the year ended 31 December 2015, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2015 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2015 and up to the date of this annual report, the controlling shareholders of the Company, namely Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed Enterprises Limited, Win Force Enterprises Limited and Top Wheel Limited, collectively referred to as the "**Controlling Shareholders**", have no interests in any business which competes with or is likely to compete with the businesses of the Group.

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

Based on the information and confirmation provided by or obtained from the Controlling Shareholders, our independent non-executive directors reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 December 2015 and up to the date of this annual report, and believed that the Controlling Shareholders had fully complied with the Deed of Non-Competition.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 40 to the Financial Statements, the following transaction constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is required to be disclosed in this annual report in accordance with the requirements set out in Chapter 14A of the Listing Rules. Please see the below information disclosed in compliance with Chapter 14A of the Listing Rules.

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

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

The annual sales cap under the Automobile Sales and Purchase Agreement was RMB67 million and 121 units for the year ended 31 December 2015. For the year ended 31 December 2015, Shaanxi Sunfonda Technology sold 50 units with an aggregate amount of sales of approximately RMB23.3 million to Yangzhou Sunfonda, which was within the above-mentioned annual cap. For more information, please also see Note 40 to the Financial Statements.

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

Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with relevant clauses of Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

AUDITORS

The consolidated financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company to be held in 2016. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END DATE

There were no significant subsequent events that had occurred from 1 January 2016 to the date of this annual report.

By order of the Board
Sunfonda Group Holdings Limited

Mr. Wu Tak Lam
Chairman

Hong Kong, 31 March 2016

To the shareholders of Sunfonda Group Holdings Limited

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

We have audited the consolidated financial statements of Sunfonda Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 141, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong
31 March 2016

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5(a)	**7,487,079**	7,879,528
Cost of sales and services	6(b)	**(6,996,371)**	(7,272,444)
Gross profit		**490,708**	607,084
Other income and gains, net	5(b)	**118,212**	201,468
Selling and distribution expenses		**(267,229)**	(249,460)
Administrative expenses		**(178,298)**	(186,624)
Profit from operations		**163,393**	372,468
Finance costs	7	**(121,759)**	(138,642)
Profit before tax	6	**41,634**	233,826
Income tax expense	10	**(16,507)**	(61,096)
Profit for the year		**25,127**	172,730
Attributable to:			
Owners of the parent		**25,916**	172,370
Non-controlling interests		**(789)**	360
		25,127	172,730
Earnings per share attributable to ordinary equity holders of the parent	12		
Basic and diluted (RMB)		**0.04**	0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	2015 RMB'000	2014 RMB'000
Profit for the year	**25,127**	172,730
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,419**	(5,025)
Other comprehensive income for the year, net of tax	**19,419**	(5,025)
Total comprehensive income for the year	**44,546**	167,705
Attributable to:		
Owners of the parent	**45,335**	167,345
Non-controlling interests	**(789)**	360
	44,546	167,705

31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**928,746**	887,863
Land use rights	14	**259,531**	201,196
Intangible assets	15	**3,525**	4,097
Prepayments	16	**100,461**	121,305
Goodwill	17	**510**	–
Deferred tax assets	29	**29,809**	14,691
Total non-current assets		**1,322,582**	1,229,152
CURRENT ASSETS			
Inventories	18	**692,609**	1,083,657
Trade receivables	19	**51,064**	41,854
Prepayments, deposits and other receivables	20	**638,119**	601,558
Amount due from a related party	40(b)(i)	**28,672**	16,430
Available-for-sale investments	21	**33,512**	20,000
Pledged bank deposits	22	**269,400**	316,090
Cash in transit	23	**29,288**	35,472
Cash and cash equivalents	24	**933,157**	886,966
Total current assets		**2,675,821**	3,002,027
CURRENT LIABILITIES			
Bank loans and other borrowings	25	**1,529,675**	1,751,843
Trade and bills payables	26	**466,689**	518,445
Other payables and accruals	27	**281,173**	259,357
Income tax payable		**26,136**	33,267
Total current liabilities		**2,303,673**	2,562,912
NET CURRENT ASSETS		**372,148**	439,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,694,730**	1,668,267

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	25	**96,000**	86,000
NET ASSETS		**1,598,730**	1,582,267
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**377**	377
Reserves	32	**1,593,805**	1,576,553
		1,594,182	1,576,930
Non-controlling interests		**4,548**	5,337
Total equity		**1,598,730**	1,582,267

Director
Wu Tak Lam

Director
Chiu Man

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000*#	Capital reserve RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Share award reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	377	347,058	125,420	55,521	157,947	1,512	4,766	854,510	29,819	1,576,930	5,337	1,582,267
Profit for the year	-	-	-	-	-	-	-	25,916	-	25,916	(789)	25,127
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	19,419	-	-	19,419	-	19,419
Total comprehensive income for the year	-	-	-	-	-	-	19,419	25,916	-	45,335	(789)	44,546
Transfer from retained profits	-	-	-	4,812	-	-	-	(4,812)	-	-	-	-
Final 2014 dividend declared	-	-	-	-	-	-	-	-	(29,819)	(29,819)	-	(29,819)
Equity-settled share award expense (note 31)	-	-	-	-	-	1,736	-	-	-	1,736	-	1,736
At 31 December 2015	377	347,058	125,420	60,333	157,947	3,248	24,185	875,614	-	1,594,182	4,548	1,598,730

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000*#	Capital reserve RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Share award reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	285	–	125,420	51,664	157,947	–	9,791	685,997	–	1,031,104	4,977	1,036,081
Profit for the year	–	–	–	–	–	–	–	172,370	–	172,370	360	172,730
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(5,025)	–	–	(5,025)	–	(5,025)
Total comprehensive income for the year	–	–	–	–	–	–	(5,025)	172,370	–	167,345	360	167,705
Transfer from retained profits	–	–	–	3,857	–	–	–	(3,857)	–	–	–	–
Issue of shares (note 30)	92	376,877	–	–	–	–	–	–	–	376,969	–	376,969
Proposed final 2014 dividend (note 11)	–	(29,819)	–	–	–	–	–	–	29,819	–	–	–
Equity-settled share award expense (note 31)	–	–	–	–	–	1,512	–	–	–	1,512	–	1,512
At 31 December 2014	377	347,058	125,420	55,521	157,947	1,512	4,766	854,510	29,819	1,576,930	5,337	1,582,267

	Notes	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before tax		**41,634**	233,826
Adjustments for:			
Depreciation of items of property, plant and equipment	13	**103,961**	94,993
Amortisation of land use rights	14	**6,022**	7,724
Amortisation of intangible assets	15	**638**	639
Interest income	5(b)	**(9,514)**	(7,164)
Net loss on disposal of items of property, plant and equipment	5(b)	**22,921**	13,896
Write-down of inventories to net realisable value		**732**	430
Equity-settled share award expense	6(a)	**1,736**	1,512
Write-back of long-aged advance from customers	5(b)	**(2,891)**	(9,311)
Finance costs	7	**121,759**	138,642
Investment income	5(b)	**(600)**	–
Gain on disposal of a subsidiary	33	**–**	(70,448)
		286,398	404,739
Decrease/(increase) in pledged bank deposits		**46,690**	(23,881)
Decrease/(increase) in cash in transit		**6,184**	(2,232)
(Increase)/decrease in trade receivables		**(9,210)**	8,987
Increase in prepayments, deposits and other receivables		**(29,144)**	(38,619)
Increase in an amount due from a related party		**(12,242)**	(10,059)
Decrease/(increase) in inventories		**390,316**	(353,493)
(Decrease)/increase in trade and bills payables		**(51,756)**	73,653
Increase in other payables and accruals		**25,142**	84,471
Cash generated from operations		**652,378**	143,566
Tax paid		**(38,757)**	(66,963)
Net cash generated from operating activities		**613,621**	76,603

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(265,355)**	(431,454)
Proceeds from disposal of items of property, plant and equipment		**110,336**	104,810
Purchase of land use rights		**(56,785)**	(643)
Receipt of prepayment for land use rights		**–**	10,000
Purchase of intangible assets		**(66)**	(497)
Purchase of available-for-sale investments		**(33,512)**	(20,000)
Proceeds from disposal of available-for-sale investments		**20,000**	–
Interest received		**9,514**	7,164
Disposal of a subsidiary	33	**96**	74,689
Receipt of an amount due to the disposed subsidiary	33	**–**	228,810
Acquisition of a subsidiary	34	**(10,096)**	–
Investment income	5(b)	**600**	–
Net cash used in investing activities		**(225,268)**	(27,121)
Financing activities			
Proceeds from bank loans and other borrowings		**5,573,635**	4,636,091
Repayment of bank loans and other borrowings		**(5,785,803)**	(4,467,110)
Proceeds from issue of shares		**–**	430,600
Share issue expense		**–**	(53,631)
Repayment of amounts due to the Controlling Shareholders		**–**	(10,329)
Interest paid		**(121,759)**	(147,687)
Dividend paid		**(29,819)**	–
Net cash (used in)/generated from financing activities		**(363,746)**	387,934
Net increase in cash and cash equivalents		**24,607**	437,416
Cash and cash equivalents at the beginning of year		**886,966**	451,930
Effect of foreign exchange rate changes, net		**21,584**	(2,380)
Cash and cash equivalents at the end of year	24	**933,157**	886,966

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows:

Company name	Place and date of registration/ incorporation and place of business	Registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
新豐泰(香港)有限公司 (Sunfonda (Hong Kong) Limited)	Hong Kong, the PRC 1997	Issued capital of HK$1,501,000	–	100%	Investment holding
Grand Forever Enterprises Limited	Tortola, the BVI 2011	Registered capital of US$50,000 and paid-in capital of US$2,001	100%	–	Investment holding
陝西新豐泰汽車有限責任公司** (Shaanxi Sunfonda Automobile Co., Ltd.)	Xi'an, the PRC 2000	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰汽車技術開發有限責任公司** (Shaanxi Sunfonda Automobile Technology Development Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB301,284,500	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows *(continued)*:

Company name	Place and date of registration/ incorporation and place of business	Registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
西安新銘洋豐田汽車銷售服務有限公司** (Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2003	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
陝西凱盛汽車銷售服務有限公司** (Shaanxi Kaisheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
陝西信捷汽車有限責任公司** (Shaanxi Xinjie Automobile Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB13,000,000	–	100%	Sale and service of motor vehicles
西安鈞盛雷克薩斯汽車銷售服務有限公司** (Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of HK$20,000,000	–	100%	Sale and service of motor vehicles
山西盈捷汽車銷售服務有限公司 **(Shanxi Yingjie Automobile Sales Services Co., Ltd.)	Taiyuan, the PRC 2009	Registered and paid-in capital of RMB13,204,500	–	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰信捷汽車有限責任公司** (Ordos Sunfonda Xinjie Automobile Co., Ltd.)	Ordos, the PRC 2010	Registered and paid-in capital of RMB26,846,750	–	100%	Sale and service of motor vehicles
陝西新豐泰博奧汽車有限責任**公司 (Shaanxi Sunfonda Boao Automobile Co., Ltd.)	Xi'an, the PRC 2010	Registered and paid-in capital of RMB55,199,805	–	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰凱盛汽車有限責任公司** (Ordos Sunfonda Kaisheng Automobile Co., Ltd.)	Ordos, the PRC 2010	Registered and paid-in capital of RMB29,733,148	–	100%	Sale and service of motor vehicles
西安新豐泰之星汽車銷售服務有限公司** (Xi'an Sunfonda Zhixing Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2009	Registered and paid-in capital of HK$84,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows *(continued)*:

Company name	Place and date of registration/ incorporation and place of business	Registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
蘇州新豐泰汽車銷售服務有限公司*** (Suzhou Sunfonda Automobile Sales Services Co., Ltd.)	Suzhou, the PRC 2011	Registered capital of HK$52,000,000 and paid-in capital of HK$45,000,000	–	100%	Sale and service of motor vehicles
蘭州新豐泰汽車銷售有限責任公司** (Lanzhou Sunfonda Automobile Sales Co., Ltd.)	Lanzhou, the PRC 2011	Registered and paid-in capital of RMB38,104,012	–	100%	Sale and service of motor vehicles
陝西新豐泰迎賓汽車銷售服務有限公司** (Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2011	Registered and paid-in capital of RMB27,187,450	–	100%	Sale and service of motor vehicles
延安新豐泰博奧汽車有限責任公司** (Yan'an Sunfonda Boao Automobile Co., Ltd.)	Yan'an, the PRC 2011	Registered and paid-in capital of RMB36,408,200	–	100%	Sale and service of motor vehicles
榆林市新豐泰凱盛汽車銷售服務有限公司** (Yulin Sunfonda Kaisheng Automobile Sales Services Co., Ltd.)	Yulin, the PRC 2011	Registered and paid-in capital of RMB6,335,206	–	100%	Sale and service of motor vehicles
陝西新豐泰駿美汽車銷售服務有限公司** (Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2012	Registered capital of RMB50,000,000 and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
蘇州新豐泰美東汽車銷售服務有限公司** (Suzhou Sunfonda Meidong Automobile Sales Services Co., Ltd.)	Suzhou, the PRC 2012	Registered capital of RMB53,500,000 and paid-in capital of RMB46,000,000	–	100%	Sale and service of motor vehicles
無錫新豐泰汽車有限責任公司** (Wuxi Sunfonda Automobile Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
山西新豐泰駿美汽車銷售服務有限公司** (Shanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	Taiyuan, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows *(continued)*:

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

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows *(continued)*:

Company name	Place and date of registration/ incorporation and place of business	Registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
渭南新豐泰博奧汽車銷售服務有限公司** (Weinan Sunfonda Boao Automobile Sales Services Co., Ltd.)	Weinan, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	80%	Sale and service of motor vehicles
陝西新豐泰福生汽車銷售服務有限公司** (Shaanxi Sunfonda Fusheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰金達實業開發有限公司** (Shaanxi Sunfonda Jinda Industrial Development Co., Ltd.)	Xi'an, the PRC 2014	Registered capital of RMB5,000,000 and paid-in capital of nil	–	100%	Sale and service of motor vehicles
陝西新豐泰匯晟汽車銷售服務有限責任公司** (Shaanxi Sunfonda Huisheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰匯翔汽車銷售服務有限公司** (Shaanxi Sunfonda Huixiang Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰匯竣汽車銷售服務有限公司** (Shaanxi Sunfonda Huijun Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
揚州新豐泰智威汽車銷售服務有限公司** (Yangzhou Sunfonda Zhiwei Automobile Sales Services Co., Ltd.)	Yangzhou, the PRC 2014	Registered capital of RMB30,000,000 and paid-in capital of nil	–	100%	Sale and service of motor vehicles
陝西新豐泰匯佳汽車銷售服務有限公司** (Shaanxi Sunfonda Huijia Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows *(continued)*:

Company name	Place and date of registration/ incorporation and place of business	Registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
陝西新豐泰銘威汽車銷售服務有限公司** (Shaanxi Sunfonda Mingwei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰金石實業開發有限公司** (Shaanxi Sunfonda Jinshi Industrial Development Co., Ltd.)	Xi'an, the PRC 2014	Registered capital of RMB50,000,000 and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
咸陽新豐泰瑞嘉汽車銷售服務有限公司** (Xianyang Sunfonda Ruijia Automobile Sales Services Co., Ltd.)	Xianyang, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰智威汽車銷售服務有限公司** (Shaanxi Sunfonda Zhiwei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
青海新豐泰信捷汽車銷售服務有限公司** (Qinghai Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	Qinghai, the PRC 2014	Registered capital of RMB30,000,000 and paid-in capital of nil	–	100%	Sale and service of motor vehicles
銀川順馳路捷汽車銷售服務有限公司** (Yinchuan Shunchi Lujie Automobile Sales & Services Co., Ltd.) *	Yinchuan, the PRC 2015	Registered capital of RMB20,000,000 and paid-in capital of RMB10,100,000	–	100%	Sale and service of motor vehicles
新豐泰(中國)投資有限公司*** (Sunfonda (China) Investment Co., Ltd)	Shanghai, the PRC 2015	Registered capital of US$89,232,599 and paid-in capital of US$69,232,678	–	100%	Investment holding
陝西新豐泰德輝汽車銷售服務有限公司** (Shaanxi Sunfonda Dehui Automobile Sales & Services Co., Ltd.)	Xi'an, the PRC 2015	Registered capital of RMB10,000,000 and paid-in capital of nil	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows *(continued)*:

Company name	Place and date of registration/ incorporation and place of business	Registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
陝西新豐泰瑞嘉汽車銷售服務有限公司** (Shaanxi Sunfonda Ruijia Automobile Sales & Service Co., Ltd.)	Xi'an, the PRC 2015	Registered capital of RMB8,000,000 and paid-in capital of nil	–	100%	Sale and service of motor vehicles
西安泰愛車網路技術開發有限責任公司** (Xi'an Taiaiche Network Technology Sales Services Co., Ltd.)	Xi'an, the PRC 2015	Registered capital of RMB1,000,000 and paid-in capital of RMB500,000	–	100%	Sale and service of motor vehicles
陝西新豐泰二手車交易市場有限公司** (Shaanxi Sunfonda Pre-owned Car Trading Co.,Ltd.)	Xi'an, the PRC 2015	Registered capital of RMB1,000,000 and paid-in capital of nil	–	100%	Sale and service of motor vehicles
延安新豐泰鈞盛雷克薩斯汽車銷售服務有限公司** (Yan'an Sunforda Junsheng Lexus Automobile Sales & Services Co., Ltd.)	Yan'an, the PRC 2015	Registered capital of RMB15,000,000 and paid-in capital of nil	–	100%	Sale and service of motor vehicles

* Details of the disposal and acquisition of the subsidiaries of the Group during the year are included in notes 33 and 34 to the financial statements, respectively.

** These companies are registered as limited liability company under PRC law.

*** These companies are registered as wholly-foreign-owned enterprise under PRC law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the 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.

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

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

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. No mandatory effective date yet determined but is available for adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRS. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding one-year deferral of the mandatory effective date of HKFRS 15 on 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

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

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

Software	5 years

Leases

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

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

Land use rights

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments *(continued)*

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities mainly include trade and bills payables, other payables and bank loans and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

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

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

Vendor rebates

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

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

Share-based payments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

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

Borrowing costs

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

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RMB510,000 (2014: Nil). Further details are given in note 17.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB29,809,000 as at 31 December 2015 (2014: RMB14,691,000). The amount of unrecognised tax losses at 31 December 2015 was RMB65,236,000 (2014: RMB50,836,000). Further details are contained in note 29 to the financial statements.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

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

Net realisable value of inventories

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

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical areas

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

Revenue represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

	2015 RMB'000	2014 RMB'000
Revenue from the sale of motor vehicles	**6,689,191**	7,142,136
Others	**797,888**	737,392
	7,487,079	7,879,528

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

(b) Other income and gains, net:

	2015 RMB'000	2014 RMB'000
Commission income	**103,262**	87,348
Logistics and storage income	**20,406**	21,219
Interest income	**9,514**	7,164
Advertisement support received from motor vehicle manufacturers	**1,201**	15,000
Net loss on disposal of items of property, plant and equipment	**(22,921)**	(13,896)
Write-back of long-aged advance from customers	**2,891**	9,311
Gain on disposal of a subsidiary (note 33)	**–**	70,448
Investment income	**600**	–
Others	**3,259**	4,874
	118,212	201,468

6. PROFIT BEFORE TAX

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

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

	2015 RMB'000	2014 RMB'000
Wages and salaries	**123,533**	115,924
Equity-settled share award expense	**1,736**	1,512
Other welfare	**20,773**	22,742
	146,042	140,178

6. PROFIT BEFORE TAX *(continued)*

(b) Cost of sales and services

	2015 RMB'000	2014 RMB'000
Cost of sales of motor vehicles	**6,577,337**	6,868,182
Others *	**419,034**	404,262
	6,996,371	7,272,444

* Employee benefit expenses of RMB36,948,000 (2014: RMB33,492,000) were included in the cost of sales and services.

(c) Other items

	2015 RMB'000	2014 RMB'000
Depreciation of items of property, plant and equipment	**103,961**	94,993
Amortisation of land use rights	**6,022**	7,724
Amortisation of intangible assets	**638**	639
Auditors' remuneration	**2,080**	2,100
Advertising and business promotion expenses	**61,558**	55,113
Lease expense	**12,664**	19,611
Bank charges	**8,641**	7,153
Office expenses	**23,377**	24,427
Logistics expenses	**8,897**	7,801
Net loss on disposal of items of property, plant and equipment	**22,921**	13,896
Investment income	**(600)**	–
Gain on disposal of a subsidiary (note 33)	**–**	(70,448)

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank borrowings and other borrowings	**121,759**	147,687
Less: interest capitalised	**–**	(9,045)
	121,759	138,642

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2015				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
– Mr. Wu Tak Lam	–	201	–	10	211
– Ms. Chiu Man (i)	–	201	–	10	211
– Mr. Xia Kun (ii)	–	429	122	31	582
– Mr. Jia Ruobing	–	861	223	34	1,118
	–	1,692	345	85	2,122
Non-executive director:					
– Mr. Zhu Wei	–	–	–	–	–
Independent non-executive directors:					
– Mr. Liu Jie	200	–	–	–	200
– Mr. Yu Yuanbo	200	–	–	–	200
– Mr. Fu Johnson Chi-King(iv)	235	–	–	–	235
	635	–	–	–	635
	635	1,692	345	85	2,757

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

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

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

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

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

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

During the year ended 31 December 2015, certain directors were granted share awards, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of these share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

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

No emoluments were paid to the non-executive director of the Company during the year (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included two directors for the year (2014: two), details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as below:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**1,614**	1,907
Equity-settled share award expense	**–**	221
Pension scheme contributions	**93**	78
	1,707	2,206

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

	Number of employees 2015	2014
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	1
	3	3

During the year ended 31 December 2014, share awards were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statement. The fair value of such share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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

	2015 RMB'000	2014 RMB'000
Current Mainland China corporate income tax	**31,626**	60,830
Deferred tax (note 29)	**(15,119)**	266
	16,507	61,096

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% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

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

10. INCOME TAX *(continued)*

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

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

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**41,634**	233,826
Tax at the applicable tax rate (25%)	**10,409**	58,456
Different tax rate for a subsidiary in Hong Kong	**–**	(11,113)
Adjustment in respect of current tax of previous periods	**1,409**	488
Expenses not deductible for tax	**1,089**	556
Tax losses not recognised	**3,600**	12,709
Tax charge	**16,507**	61,096

11. DIVIDENDS

	2015 **RMB'000**	2014 **RMB'000**
Proposed final – Nil (2014: HK6.3 cents) per ordinary share	**–**	29,819
	–	29,819

The Board did not recommend the payment of any final dividend for the year ended 31 December 2015.

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

The calculation of the basic earnings per share amount for the year ended 31 December 2015 is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 600,000,000 in issue during the year.

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2014 and 2015.

	2015 **RMB**	2014 RMB
Earnings		
Profit attributable to ordinary equity holders of the parent	**25,916,000**	172,370,000

	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	**600,000,000**	544,520,548
Earnings per share		
Basic and diluted (RMB)	**0.04**	0.32

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 31 December 2014 and at 1 January 2015:							
Cost	**544,788**	**68,007**	**101,741**	**68,570**	**223,458**	**94,409**	**1,100,973**
Accumulated depreciation	**(76,237)**	**(9,780)**	**(40,508)**	**(37,355)**	**(49,230)**	**–**	**(213,110)**
Net carrying amount	**468,551**	**58,227**	**61,233**	**31,215**	**174,228**	**94,409**	**887,863**
At 1 January 2015, net of accumulated depreciation	**468,551**	**58,227**	**61,233**	**31,215**	**174,228**	**94,409**	**887,863**
Additions	**19,483**	**7,737**	**19,307**	**9,951**	**114,477**	**107,237**	**278,192**
Disposals	**(648)**	**(12,815)**	**(175)**	**(735)**	**(118,411)**	**(473)**	**(133,257)**
Disposal of a subsidiary (note 33(a))	**–**	**–**	**–**	**–**	**–**	**(91)**	**(91)**
Depreciation provided during the year	**(34,664)**	**(8,174)**	**(12,111)**	**(10,213)**	**(38,799)**	**–**	**(103,961)**
Transfer	**117,454**	**1,408**	**353**	**–**	**–**	**(119,215)**	**–**
At 31 December 2015, net of accumulated depreciation	**570,176**	**46,383**	**68,607**	**30,218**	**131,495**	**81,867**	**928,746**
At 31 December 2015:							
Cost	**681,077**	**58,404**	**121,146**	**77,718**	**174,347**	**81,867**	**1,194,559**
Accumulated depreciation	**(110,901)**	**(12,021)**	**(52,539)**	**(47,500)**	**(42,852)**	**–**	**(265,813)**
Net carrying amount	**570,176**	**46,383**	**68,607**	**30,218**	**131,495**	**81,867**	**928,746**
At 1 January 2014:							
Cost	447,259	39,604	67,063	59,741	167,418	69,919	851,004
Accumulated depreciation	(56,854)	(2,961)	(32,147)	(29,667)	(34,399)	–	(156,028)
Net carrying amount	390,405	36,643	34,916	30,074	133,019	69,919	694,976
At 1 January 2014, net of accumulated depreciation	390,405	36,643	34,916	30,074	133,019	69,919	694,976
Additions	15,086	18,961	33,215	14,098	188,184	150,158	419,702
Disposals	(1,739)	(452)	(110)	(7,032)	(98,702)	(10,671)	(118,706)
Disposal of a subsidiary (note 33(b))	–	–	–	–	–	(13,116)	(13,116)
Depreciation provided during the year	(22,812)	(7,810)	(8,381)	(7,717)	(48,273)	–	(94,993)
Transfer	87,611	10,885	1,593	1,792	–	(101,881)	–
At 31 December 2014, net of accumulated depreciation	468,551	58,227	61,233	31,215	174,228	94,409	887,863
At 31 December 2014:							
Cost	544,788	68,007	101,741	68,570	223,458	94,409	1,100,973
Accumulated depreciation	(76,237)	(9,780)	(40,508)	(37,355)	(49,230)	–	(213,110)
Net carrying amount	468,551	58,227	61,233	31,215	174,228	94,409	887,863

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

As at 31 December 2015, the application for the property ownership certificates of certain buildings with an aggregate net book value of approximately RMB116,557,000 (2014: RMB195,766,000) was still in progress.

At 31 December 2015, certain of the Group's buildings with an aggregate net book value of approximately RMB258,613,000 (2014: RMB252,117,000) were pledged as security for the Group's bank borrowings (note 25(a)).

14. LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	**223,866**	428,511
Additions	**64,357**	18,874
Disposal of a subsidiary (note 33)	**–**	(223,519)
At the end of the year	**288,223**	223,866
Amortisation:		
At the beginning of the year	**22,670**	20,697
Charge for the year	**6,022**	7,724
Disposal of a subsidiary (note 33)	**–**	(5,751)
At the end of the year	**28,692**	22,670
Net book value:		
At the end of the year	**259,531**	201,196

The land use rights of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 26 to 65 years.

At 31 December 2015, certain of the Group's land use rights with an aggregate net book value of approximately RMB160,332,000 (2014: RMB91,207,000) were pledged as security for the Group's bank borrowings (note 25(a)).

As at 31 December 2015, the application for the land use rights certificates of certain land use rights with an aggregate net book value of approximately RMB51,878,000 (2014: Nil) was still in progress.

15. INTANGIBLE ASSETS

Software

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	**6,715**	6,218
Additions	**66**	497
At the end of the year	**6,781**	6,715
Amortisation:		
At the beginning of the year	**2,618**	1,979
Charge for the year	**638**	639
At the end of the year	**3,256**	2,618
Net book value:		
At the end of the year	**3,525**	4,097

16. PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Prepaid lease payments for buildings and land use rights	**6,766**	7,201
Prepayments for purchase of land use rights	**61,500**	69,072
Prepayments for purchase of property, plant and equipment	**32,195**	45,032
	100,461	121,305

17. GOODWILL

	RMB'000
At 1 January 2015	–
Acquisition of a subsidiary (note 34)	510
Cost and net carrying amount at 31 December 2015	510
At 31 December 2015	
Cost	510
Accumulated impairment	–
Net carrying amount	510

Impairment testing of goodwill

In the opinion of the Company's directors, the goodwill comprises the fair value of expected business synergies arising from acquisitions, which is not separately recognised.

Goodwill acquired through business combination, as stated in note 34, has been allocated to the cash-generating unit of Yinchuan Shunchi Lujie Automobile Sales & Service Co., Ltd., which is treated as one cash-generate unit for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five year period from the end of the reporting period is 3% for all years. The pre-tax discount rate applied to the cash flow projections beyond the one-year period is 14%.

Assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections.

Revenue from Sale and service of motor vehicles – the bases used to determine the future earnings from the sale and service of motor vehicles are historical sales and the average growth rate of similar scale 4S stores of the Group over the last two years.

Operating expenses – the bases used to determine the values assigned are cost of inventories, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

17. GOODWILL *(continued)*

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to materially exceed the recoverable amount.

18. INVENTORIES

	2015 RMB'000	2014 RMB'000
Motor vehicles (at cost or at net realisable value)	**626,258**	1,005,101
Spare parts (at cost)	**66,351**	78,556
	692,609	1,083,657

At 31 December 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB312,282,000 (2014: RMB325,766,000) were pledged as security for the Group's bank loans and other borrowings (note 25(a)).

At 31 December 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB291,715,000 (2014: RMB196,456,000) were pledged as security for the Group's bills payable (note 26).

19. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**51,064**	41,854

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

19. TRADE RECEIVABLES *(continued)*

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

	2015 RMB'000	2014 RMB'000
Within 3 months	**39,164**	33,457
More than 3 months but less than 1 year	**10,849**	7,436
Over 1 year	**1,051**	961
	51,064	41,854

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**50,013**	40,893
Over one year past due	**1,051**	961
	51,064	41,854

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments and deposits to suppliers	**355,266**	346,573
Vendor rebate receivables	**235,307**	153,647
VAT receivables (i)	**11,146**	64,601
Others	**36,400**	36,737
	638,119	601,558

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

Notes:

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

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

21. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Available-for-sale investments, at cost	**–**	20,000
Available-for-sale investments, at fair value	**33,512**	–
	33,512	20,000

As at 31 December 2015, the available-for-sale investments represented investments in investment funds and have 3-month maturity term and no fixed coupon rate.

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

As at 31 December 2015, the available-for-sale investments with an aggregate carrying amount of approximately RMB33,512,000 (2014: Nil) were pledged as security for the Group's bank loans and other borrowings (note 25(a)).

22. PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks and bills payable	**269,400**	316,090

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

22. PLEDGED BANK DEPOSITS *(continued)*

As at 31 December 2014, the Group's bank deposits of RMB64,000,000 were pledged as security for the Group's bank loans and other borrowings (note 25(a)).

As at 31 December 2015, certain of the Group's pledged bank deposits with an aggregate carrying amount of approximately RMB269,400,000 (2014: RMB252,090,000) were pledged as security for the Group's bills payable (note 26).

23. CASH IN TRANSIT

	2015 RMB'000	2014 RMB'000
Cash in transit	**29,288**	35,472

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

24. CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**711,992**	460,849
Time deposits	**221,165**	426,117
Cash and cash equivalents	**933,157**	886,966

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values. Short term deposits are made for varying periods of between one day and 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

As at 31 December 2015, the cash and bank balances and short term deposits of the Group denominated in RMB amounted to RMB618,679,000 (2014: RMB413,575,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. BANK LOANS AND OTHER BORROWINGS

	2015 Effective interest rate (%)	2015 Amount RMB'000	2014 Effective interest rate (%)	2014 Amount RMB'000
CURRENT:				
Bank loans	**1.4-7.4**	**1,336,512**	4.2-7.8	1,630,586
Other borrowings	**5.6-7.9**	**193,163**	6.5-7.0	121,257
		1,529,675		1,751,843
NON-CURRENT:				
Bank loans	**6.9-7.4**	**96,000**	6.7-7.4	86,000
		1,625,675		1,837,843
Bank loans and other borrowings represent:				
– secured loans (a)		**1,191,839**		930,558
– unsecured loans		**433,836**		907,285
		1,625,675		1,837,843

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,336,512**	1,630,586
In the second year	**75,500**	34,000
In the third to fifth years, inclusive	**20,500**	52,000
	1,432,512	1,716,586
Other borrowings repayable:		
Within one year	**193,163**	121,257
	1,625,675	1,837,843

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

(a) As at 31 December 2015, 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 RMB160,332,000 (2014: RMB91,207,000) (note 14);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB258,613,000 (2014: RMB252,117,000) (note 13);

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB312,282,000 (2014: RMB325,766,000) (note 18);

(iv) mortgages over the Group's available-for-sale investments, which had an aggregate carrying value of approximately RMB33,512,000 (2014: Nil) (note 21); and

(v) As at 31 December 2014, certain of the Group's bank and other borrowings were secured by mortgages over the Group's bank deposits, which had an aggregate carrying value of RMB64,000,000 (note 22).

26. TRADE AND BILLS PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables	**110,127**	70,317
Bills payable	**356,562**	448,128
Trade and bills payables	**466,689**	518,445

26. 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:

	2015 RMB'000	2014 RMB'000
Within 3 months	**418,780**	502,002
3 to 6 months	**37,704**	13,399
6 to 12 months	**7,993**	2,984
Over 12 months	**2,212**	60
	466,689	518,445

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

As at 31 December 2015, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB291,715,000 (2014: RMB196,456,000) (note 18).

As at 31 December 2015, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB269,400,000 (2014: RMB252,090,000) (note 22).

27. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Payables for purchase of items of property, plant and equipment	**29,906**	27,738
Advances from customers	**112,719**	98,903
Staff payroll and welfare payables	**34,730**	32,931
Tax payable (other than income tax)	**6,850**	4,617
Deposit received from a construction service provider	**70,000**	70,000
Others	**26,968**	25,168
	281,173	259,357

28. EMPLOYEE RETIREMENT BENEFITS

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

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

29. DEFERRED TAX

Deferred tax assets

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

	Losses available for future taxable profit RMB'000	Accrued payroll and social welfare RMB'000	Other accrual RMB'000	Total RMB'000
At 1 January 2014	11,334	4,914	568	16,816
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	(1,357)	1,164	(73)	(266)
Disposal of a subsidiary (note 33(b))	(1,859)	–	–	(1,859)
At 31 December 2014	8,118	6,078	495	14,691
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	16,368	(754)	(495)	15,119
Disposal of a subsidiary (note 33(a))	(1)	–	–	(1)
At 31 December 2015	24,485	5,324	–	29,809

29. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

As at 31 December 2015, the Group had accumulated tax losses arising in Mainland China of RMB65,236,000 (2014: RMB50,836,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

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

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

As at 31 December 2015, the Group has not provided for withholding taxes on accumulated earnings of RMB934,167,000 (2014: RMB856,174,000) generated by its PRC entities, because it is not probable that these accumulated earnings will be distributed to the holding company outside the PRC in the foreseeable future.

30. SHARE CAPITAL

Authorised

	2015 No. of shares of US$0.0001 each	2014 No. of shares of US$0.0001 each
Ordinary shares (note (a))	**1,000,000,000**	1,000,000,000

30. SHARE CAPITAL *(continued)*

Shares

	No. of shares of US$0.0001 each	Equivalent to RMB'000
Issued and fully paid: ordinary shares	**600,000,000**	377

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares US$'000	Share premium US$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000
As at 1 January 2014	45,000	45	–	285	–
Division of ordinary shares on 8 January 2014 (note (a))	449,955,000	–	–	–	–
Issue of new shares on 15 May 2014 (note (b))	150,000,000	15	70,190	92	430,508
Share issue expenses	–	–	(8,744)	–	(53,631)
As at 31 December 2014	600,000,000	60	61,446	377	376,877
As at 1 January 2015 and 31 December 2015	600,000,000	60	61,446	377	376,877

Notes:

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

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

31. SHARE-BASED PAYMENTS

(a) PRE-IPO SHARE AWARD SCHEME

As set out in the Prospectus dated 30 April 2014 for the public listing of the Company's shares on the Stock Exchange, On 8 January 2014, a share award scheme was approved and adopted by the then shareholder (the "Pre-IPO Share Award Scheme") for the purposes of recognising and rewarding the contributions of the selected employees of the Group and motivating their contribution to the future development of the Group.

For the implementation of the Pre-IPO Share Award Scheme, the Management Trust (as defined in the Prospectus dated 30 April 2014) was established by Top Wheel Limited on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel Limited transferred, for nil consideration, 9,000,000 Shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. The vesting in full of the share award would, under the present capital structure of the company, have no impact on the additional ordinary shares of the company.

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

	2015 Number of awarded shares '000	2014 Number of awarded shares '000
At 1 January	**2,040**	–
Granted during the year	**920**	2,520
Forfeited during the year	**(550)**	(480)
Vested during the year	**(408)**	–
At 31 December	**2,002**	2,040

31. SHARE-BASED PAYMENTS *(continued)*

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

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

Particulars of awarded shares as at 31 December 2015 and 2014 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at 31 December 2015	2014
5 years	15 May 2014	3.76	**1,082**	1,540
5 years	21 August 2014	3.54	**–**	500
5 years	2 July 2015	2.95	**920**	-
			2,002	2,040

The fair value of the share awards granted was RMB2,142,000 (2014: RMB5,797,000) for the year ended 31 December 2015, of which the Group recognised a share awards expense of RMB1,736,000 (2014: RMB1,512,000) during the year ended 31 December 2015.

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 reporting period, the Company had 2,002,000 (2014: 2,040,000) awarded shares outstanding under the Pre-IPO Share Award Scheme.

31. SHARE-BASED PAYMENTS *(continued)*

(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.

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

No share options were granted under the Share Option Scheme during the year ended 31 December 2015. (2014: Nil)

32. RESERVES

(i) Statutory reserve

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

33. DISPOSAL OF A SUBSIDIARY

(a) In March 2015, the Group disposed of its entire equity interest in Shaanxi Sunfonda Mingcheng Auto-park Industrial Development Co., Ltd. (陝西新豐泰銘誠汽車園實業開發有限公司, "Shaanxi Sunfonda Mingchen") to Xi'an Shangge Electronic Technology Co., Ltd., an independent third party, for a consideration of RMB595,881.

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

		RMB'000
Net assets disposed of:		
Property, plant and equipment		91
Deferred tax assets		1
Prepayments, deposits and other receivables		4
Cash and cash equivalents		500
		596
Gain on disposal of a subsidiary	5(b)	–
Satisfied by:		
Cash		596

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration	596
Cash and cash equivalents disposed of	(500)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	96

33. DISPOSAL OF A SUBSIDIARY *(continued)*

(b) In May 2014, the Group disposed of its entire equity interest in Beijing Sunfonda Boao Commercial Trading Co., Ltd. (北京新豐泰博奧商貿有限責任公司, "Beijing Sunfonda Boao") to Beijing Huitongxinhe Investment Management Co., Ltd. for a consideration of RMB89,078,000.

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

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

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

34. BUSINESS COMBINATION

As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, on 12 March 2015, the Group acquired 100% of the equity interests of Yinchuan Shunchi Lujie Automobile Sales & Service Co., Ltd. (銀川順馳路捷汽車銷售服務有限公司, "Yinchuan Shunchi Lujie"), which is engaged in the motor vehicle sales and service business in Mainland China, at a total consideration of RMB10,100,000. The purchase consideration for the acquisition was in the form of cash, with RMB10,100,000 paid during the year.

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

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

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

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

Since the acquisition, the acquired business had not generated revenue and contributed a loss of RMB261,792 to the consolidated profit for the year ended 31 December 2015.

35. 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

31 December 2015	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000
Trade receivables	–	51,064
Financial assets included in prepayments, deposits and other receivables	–	271,707
Amount due from a related party	–	28,672
Available-for-sale investments	33,512	–
Pledged bank deposits	–	269,400
Cash in transit	–	29,288
Cash and cash equivalents	–	933,157
	33,512	1,583,288

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

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Financial liabilities at amortised cost 2015 RMB'000	2014 RMB'000
Trade and bills payables	**466,689**	518,445
Financial liabilities included in other payables and accruals	**126,874**	122,906
Bank loans and other borrowings	**1,625,675**	1,837,843
	2,219,238	2,479,194

36. CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group did not have any significant contingent liabilities.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 31 December 2015 was assessed to be insignificant.

At the end of the year, the fair values of available-for-sales investment are based on quoted market prices (level 1) (2014: Nil).

During the year, there were no transfers between Level 1 and Level 2 fair value measurements and no transfer into or out of Level 3 fair value measurements (2014: Nil).

38. COMMITMENTS

(a) Capital commitments

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

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for land use rights and buildings	**60,091**	50,562

(b) Operating lease commitments

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

	2015		2014	
	Properties RMB'000	**Land RMB'000**	Properties RMB'000	Land RMB'000
Within 1 year	**5,207**	**3,622**	15,239	3,622
After 1 year but within 5 years	**11,996**	**14,998**	40,967	14,780
After 5 years	**12,833**	**5,874**	23,300	9,714
	30,036	**24,494**	79,506	28,116

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

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in notes 13, 14, 18, 21 and 22 to these financial statements.

40. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

The Group had the following transactions with related parties during the year:

(a) Transactions with related parties

During the year, revenue from the sale of motor vehicles to a related company was as follows:

		2015 RMB'000	2014 RMB'000
Yangzhou Sunfonda Automobile Co., Ltd.	(i)	**23,284**	42,632

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

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

(b) Balances with related parties

(i) Due from a related party:

	2015 RMB'000	2014 RMB'000
Trade related Yangzhou Sunfonda Automobile Co., Ltd.	**28,672**	16,430

(c) Compensation of key management personnel of the Group

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**2,797**	3,780
Equity-settled share award expense	**345**	473
Post-employment benefits	**106**	153
Total compensation paid to key management personnel	**3,248**	4,406

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

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

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

	Increase/(decrease) in basis points	Increase/(decrease)in profit before tax RMB'000
Year ended 31 December 2015		
RMB	**50**	**(549)**
RMB	**(50)**	**549**
Year ended 31 December 2014		
RMB	50	(428)
RMB	(50)	428

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

Foreign currency risk

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

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

Credit risk

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

As at 31 December 2015, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

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

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

Liquidity risk *(continued)*

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

	As at 31 December 2015					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	**–**	**663,497**	**871,115**	**103,021**	**–**	**1,637,633**
Trade and bills payables	**110,127**	**325,326**	**31,236**	**–**	**–**	**466,689**
Other payables	**26,967**	**7,477**	**22,430**	**70,000**	**–**	**126,874**
	137,094	**996,300**	**924,781**	**173,021**	**–**	**2,231,196**

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

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

Capital management

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

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

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

	2015 **RMB'000**	2014 RMB'000
Bank loans and other borrowings	**1,625,675**	1,837,843
Net debt	**1,625,675**	1,837,843
Equity attributable to owners of the parent	**1,594,182**	1,576,930
Gearing ratio	**102.0%**	116.5%

42. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Group after 31 December 2015.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**428,168**	307,579
CURRENT ASSETS		
Prepayments, deposits and other receivables	**208**	–
Available-for-sale investments	**33,512**	–
Cash and cash equivalents	**237,236**	379,098
Total current assets	**270,956**	379,098
CURRENT LIABILITIES		
Bank loans and other borrowings	**33,512**	–
Other payables and accruals	**149**	1,788
Total current liabilities	**33,661**	1,788
NET CURRENT ASSETS	**237,295**	377,310
TOTAL ASSETS LESS CURRENT LIABILITIES	**665,463**	684,889
NET ASSETS	**665,463**	684,889
EQUITY		
Share capital	**377**	377
Reserves (note)	**665,086**	684,512
Total equity	**665,463**	684,889

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2014	–	320,214	(6,246)	(2,038)	–	311,930
Total comprehensive income for the year	–	–	(2,560)	(1,735)	–	(4,295)
Issue of shares	376,877	–	–	–	–	376,877
Proposed final 2014 dividend	(29,819)	–	–	–	29,819	–
At 31 December 2014 and 1 January 2015	347,058	320,214	(8,806)	(3,773)	29,819	684,512
Total comprehensive income for the year	–	–	11,501	(1,108)	–	10,393
Final 2014 dividend declared	–	–	–	–	(29,819)	(29,819)
At 31 December 2015	347,058	320,214	2,695	(4,881)	–	665,086

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.

FINANCIAL SUMMARY

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**7,487,079**	7,879,528	7,432,699	7,205,232	5,348,404
Cost of sales and services	**(6,996,371)**	(7,272,444)	(6,787,872)	(6,642,745)	(4,832,500)
Gross profit	**490,708**	607,084	644,827	562,487	515,904
Other income and gains, net	**118,212**	201,468	93,901	64,119	35,570
Selling and distribution expenses	**(267,229)**	(249,460)	(213,292)	(176,047)	(139,648)
Administrative expenses	**(178,298)**	(186,624)	(152,270)	(145,559)	(110,025)
Profit from operations	**163,393**	372,468	373,166	305,000	301,801
Finance costs	**(121,759)**	(138,642)	(124,584)	(116,695)	(40,994)
Profit before tax	**41,634**	233,826	248,582	188,305	260,807
Income tax expense	**(16,507)**	(61,096)	(62,969)	(48,091)	(66,809)
Profit for the year	**25,127**	172,730	185,613	140,214	193,998
Attributable to:					
Owners of the parent	**25,916**	172,370	185,636	140,214	193,998
Non-controlling interests	**(789)**	360	(23)	–	–
	25,127	172,730	185,613	140,214	193,998
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**3,998,403**	4,231,179	3,387,174	3,181,970	2,108,995
Total liabilities	**2,399,673**	2,648,912	2,351,093	2,337,943	1,425,254
Non-controlling interests	**4,548**	5,337	4,977	–	–
Equity attributable to owners of the parent	**1,594,182**	1,576,930	1,031,104	844,027	683,741