



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



Porsche Centre
Xi'an Chanba
西安瀋瀾保时捷中心



2023
INTERIM REPORT

CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	6
Corporate Governance and Other Information	25
Interim Condensed Consolidated Statement of Profit or Loss	35
Interim Condensed Consolidated Statement of Comprehensive Income	36
Interim Condensed Consolidated Statement of Financial Position	37
Interim Condensed Consolidated Statement of Changes in Equity	39
Interim Condensed Consolidated Statement of Cash Flows	40
Notes to the Interim Condensed Consolidated Financial Statements	42





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

Tel: +852 2565 9898

Fax: +852 2565 9221

Website: www.sunfonda.com.cn

E-mail: irhk@sunfonda.com.cn

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Tak Lam (*Chairman of the Board*)

Ms. Chiu Man (*Chief Executive Officer*)

Ms. Chen Wei

Mr. Deng Ning

Independent Non-executive Directors

Mr. Song Tao

Dr. Liu Xiaofeng

Dr. Han Qinchun (*appointed on 18 May 2023*)

Mr. Liu Jie (*resigned on 12 June 2023*)

AUDIT COMMITTEE

Dr. Han Qinchun (*Chairman*) (*appointed on 18 May 2023*)

Mr. Song Tao

Dr. Liu Xiaofeng

Mr. Liu Jie (*former Chairman*) (*re-designated from Chairman of the Audit Committee to a member of the Audit Committee on 18 May 2023 and resigned on 12 June 2023*)

NOMINATION COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Mr. Song Tao

Dr. Liu Xiaofeng

Dr. Han Qinchun (*appointed on 18 May 2023*)

Mr. Liu Jie (*resigned on 12 June 2023*)

REMUNERATION COMMITTEE

Mr. Song Tao (*Chairman*)

Dr. Liu Xiaofeng

Dr. Han Qinchun (*appointed on 18 May 2023*)

Mr. Liu Jie (*resigned on 12 June 2023*)

FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Ms. Chiu Man

Dr. Han Qinchun (*appointed on 18 May 2023*)

Mr. Liu Jie (*resigned on 12 June 2023*)

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam

Ms. Chan Sze Ting

COMPANY SECRETARY

Ms. Chan Sze Ting (*ACG, HKACG*)

HEADQUARTERS

Sunfonda Automobile Center

No. 1555 Ouya 1st Road

Beichen Avenue

Chanba Ecological District

Xi'an City, Shaanxi Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

PRC Law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District, Beijing
PRC

Hong Kong Law

Jingtian & Gongcheng LLP
Suites 3203-3207, 32nd Floor
Edinburgh Tower
The Landmark
15 Queens Road Central
Central, Hong Kong

AUDITORS

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL BANKERS

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

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

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

STOCK CODE

01771

WEBSITE

www.sunfonda.com.cn



FINANCIAL HIGHLIGHTS

During the period from 1 January 2023 to 30 June 2023, Sunfonda Group Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**” or “**Sunfonda**”) have recorded:

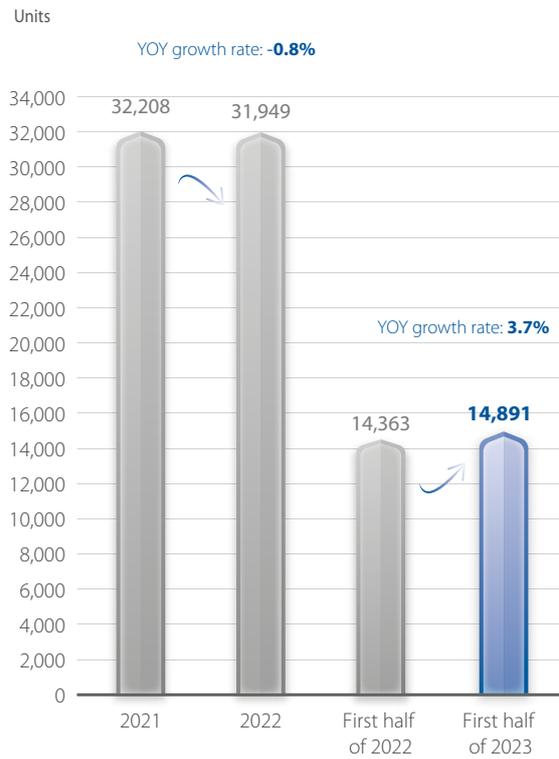
- Operating revenue of RMB5,271.2 million, which was up by 2.2% from the same period in 2022, including:
 - Sales volume of new vehicles up by 3.7% to 14,891 units, and revenue from the sales of new vehicles up by 0.9% to RMB4,471.0 million;
 - Revenue from after-sales services up by 14.5% to RMB620.8 million; and
 - Revenue from the sales of used cars down by 2.0% to RMB179.4 million.
- Gross profit of RMB266.2 million, which was down by 36.1% from the same period in 2022.
- Gross profit margin was 5.1% (same period in 2022: 8.1%).
- Other income and gains, net amounted to RMB210.4 million, representing an increase of 80.8% from the same period in 2022. Of which, commission income significantly increased by 107.9%.
- Profit before tax for the six months ended 30 June 2023 (the “**Period**”) decreased by 88.0% to RMB14.8 million (same period in 2022: RMB123.1 million).

Profit attributable to owners of the parent for the Period was down by 89.5% to RMB8.2 million (same period in 2022: RMB77.8 million).

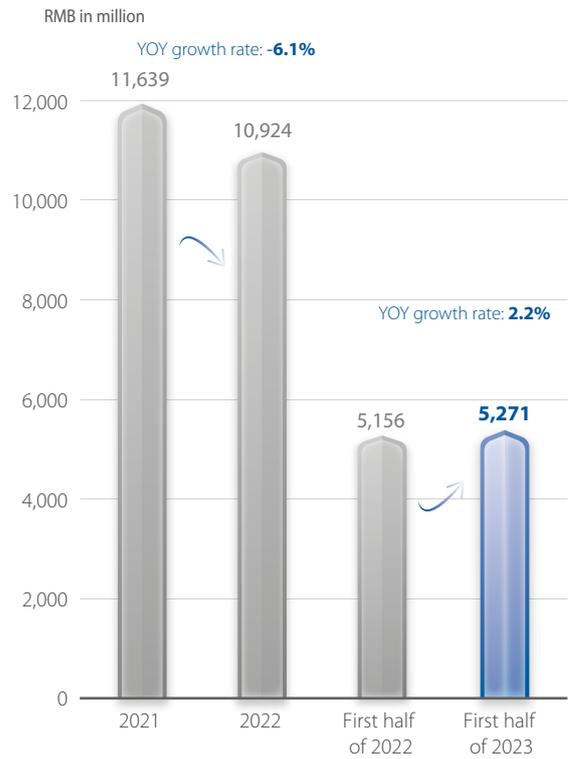
Basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to RMB0.01 for the Period (same period in 2022: RMB0.13).

FINANCIAL HIGHLIGHTS

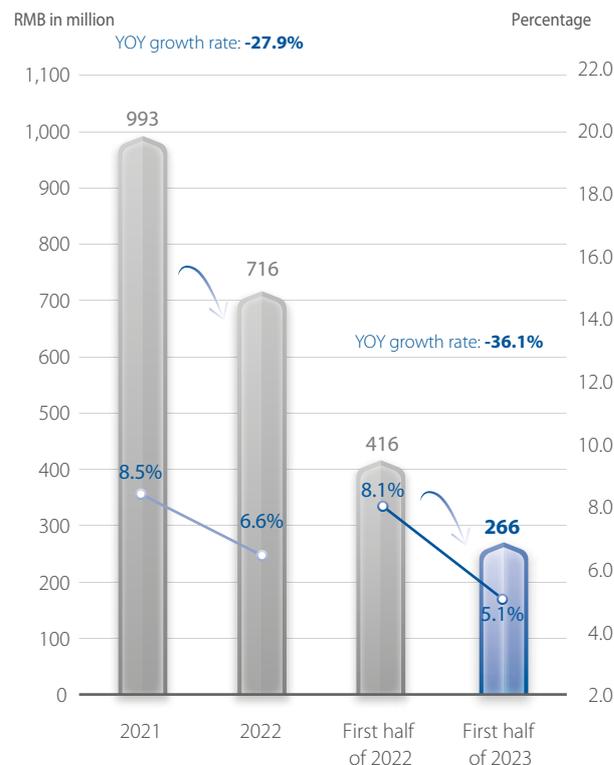
Sales volume of new vehicles



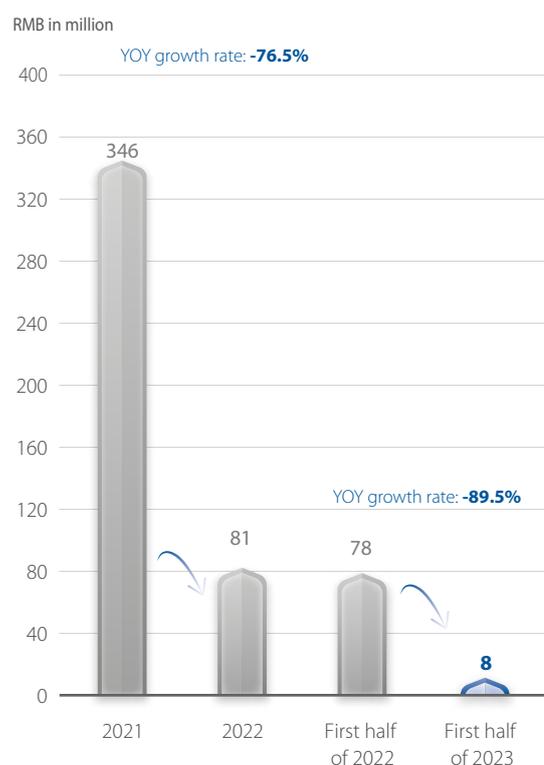
Revenue



Gross profit and gross profit margin



Equity attributable to owners of the parent



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



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The National Economy Gradually Recovered

In the first half of the year, facing the complex and severe international environment and the arduous tasks of domestic reform, development and stabilisation, all regions adhered to the general principle of pursuing progress while ensuring stability, focused on promoting high-quality development, better coordinated the overall domestic and international situations, better balanced economic and social development, and gave priority to ensuring stable growth, employment, and prices. Therefore, market demand gradually recovered, production and supply continued to increase, employment and prices remained generally stable, personal income increased steadily, and the overall economic performance rebounded.

According to data released by the National Bureau of Statistics of China, preliminary calculations show that the gross domestic product (the “GDP”) for the first half of the year amounted to RMB59,303.4 billion, representing a year-on-year increase of 5.5% at constant prices calculation, and the total retail sales of social consumer goods amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%. The retail sales of urban consumer goods amounted to RMB19,753.2 billion, representing a year-on-year increase of 8.1%. Classified by consumption type, the sales of upgraded goods grew rapidly, and the national online retail sales amounted to RMB7,162.1 billion, representing a year-on-year increase of 13.1%. Among which, the online retail sales of physical goods amounted to RMB6,062.3 billion, representing a year-on-year increase of 10.8%, and accounting for 26.6% of the total retail sales of consumer goods. The total retail sales of automobile consumables amounted to RMB2,240.9 billion, representing a year-on-year increase of 6.8%, and accounting for 10% of the total retail sales of social consumer goods.

Overall, in the first half of the year, as the economy and society has fully resumed normal operation, and macro policies have taken effect, the national economy has rebounded and made steady progress in high-quality development. However, it should also be noted that the world political and economic situation is complicated, and the foundation for sustained domestic economic recovery and development is still not stable. Going forward, to accomplish the primary task of high-quality development and the strategic task of building a new development pattern, it will be required to comprehensively deepen reform and opening up, accelerate the construction of a modern industrial system, focus on smoothing the economic cycle, make greater efforts to shift growth model, make structural adjustments, and boost driving forces, and strive to achieve effective qualitative improvement and reasonable quantitative growth of the economy.

The Economy of Key Areas Covered by the Group's Network Recovered Steadily

In the first half of 2023, the economy of Shaanxi Province, which is covered by the Group's main business network, has resumed to stable operation, the structure has been improved, and the momentum has been accumulated. According to the results of the unified accounting of regional GDP, Shaanxi Province's GDP reached RMB1,550.32 billion in the first half of the year, representing a year-on-year increase of 3.7% at constant prices calculation. The consumer market grew steadily, and the total retail sales of social consumer goods of Shaanxi Province amounted to RMB532.397 billion, representing a year-on-year increase of 6.7%. Among which, the retail sales of consumer goods of enterprises (entities) above designated size amounted to RMB273.049 billion, representing an increase of 6.1%. Consumer demand for upgraded commodities was constantly released, and automobile consumption had a good momentum, as reflected in the fact that automobile consumption increased by 13.2% and accounted for 24% of the total consumption, which acted as the most important driving force for this year's consumption growth. At the same time, the economic development of Jiangsu Province, a fundamental area within the coverage of the Group's business network, has steadily improved in both quality and efficiency, and the gross scale has achieved reasonable growth, which has sustained the trend of continuous recovery and upturn since the beginning of 2023, and maintained a good momentum of high-quality development. According to the results of the unified accounting of regional GDP, Jiangsu Province's GDP reached RMB6,046.53 billion in the first half of the year, representing a year-on-year increase of 6.6%. Demand-side consumption upgrading trend has become obvious, with the accelerated integration of cutting-edge technologies and service industry scenarios, new consumption models have been continuously expanded, and new momentum for industry development has been constantly strengthened. In the first half of the year, the total retail sales of social consumer goods of Jiangsu Province amounted to RMB2,304.96 billion, representing a year-on-year increase of 10%, of which the provincial retail sales of automobile commodities exceeding the limit increased by 10.1% year on year, up by 10.3 percentage points as compared with the first quarter, and accounting for 27.1% of the provincial retail sales exceeding the limit, driving the growth of retail sales exceeding the limit by 2.8 percentage points.



MANAGEMENT DISCUSSION AND ANALYSIS

Passenger Vehicle Market Performance in the First Half of 2023

In the first half of 2023, as a result of the impact of the implementation of promotional policies and market price fluctuations in the first quarter, driven by the central and local policies to promote consumption, the release of the announcement on implementation of China VI emission standards for light-duty vehicles, the launch of automobile marketing activities in many places, and the introduction of a large number of new models by enterprises, coupled with the semi-annual sales promotion of automobile enterprises and the relatively low base of the same period in April and May, China's automobile market demand gradually recovered, and achieved a high growth in the first half of the year. According to the China Association of Automobile Manufacturers, in the first half of this year, China's automobile production and sales volume reached 13.248 million units and 13.239 million units, respectively, representing a year-on-year increase of 9.3% and 9.8%, respectively. In the automobile consumption market, the stable performance of the passenger vehicle market is the "ballast stone" for the smooth operation of the overall automobile market. The production and sales volume of passenger vehicles was 11.281 million units and 11.268 million units, respectively, representing a year-on-year increase of 8.1% and 8.8%, respectively.

The Market Share of New Energy Vehicles Continued to Increase, and Production and Sales still Maintained a Good Development Trend of Rapid Growth

From January to June 2023, the production and sales volume of new energy vehicles was 3.788 million units and 3.747 million units, respectively, representing a year-on-year increase of 42.4% and 44.1%, respectively, and occupying a market share of 28.3%. With the governments' increasingly stringent environmental protection policies and consumers' gradually increasing awareness of environmental protection, new energy vehicles have shown a strong growth momentum globally. In addition, affected by the rich variety of new energy vehicle models, the launch of a large number of new models in the market, and the decline in model prices, the sales volume of A00-class vehicles dropped significantly year on year, while the sales volume of vehicles at other classes increased to different degrees year on year. New energy vehicles have crossed the low-quality, low-price development stage, and with the iterative upgrading of technology, the consumer experience continues to rise.

On 21 June 2023, the Ministry of Finance, the State Taxation Administration, and the Ministry of Industry and Information Technology issued the "Announcement on Extending and Optimising the New Energy Vehicle Purchase Tax Reduction and Exemption Policy", aiming to further play the incentive role of tax policies, guide relevant parties to seize development opportunities, promote technological innovation and product innovation, continuously enhance the core competitiveness of the industry, expand the consumption of new energy vehicles, and boost the high-quality development of the new energy vehicle industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Cui Dongshu, secretary-general of the China Passenger Car Association (the “CPCA”), said that in view of the scale advantage of China’s new energy vehicle industry and its market expansion demand, more and more Chinese new energy brands have gone abroad, their overseas recognition has continued to improve, and their service networks have been continuously optimised, indicating that the new energy vehicle export market has constantly shown a positive trend.

Continuously Increasing Automobile Transfer and Registration Supported an Active Used Car Trading Market

In the first half of 2023, selling price of new vehicles became the biggest variable in the automobile industry, and its instability was transmitted to the used car market.

According to the “Research Report on China’s Automobile Value Preservation Rate in June 2023” jointly released by the China Automobile Dealers Association and Jingzheng, the automobile value preservation rate data in the first half of the year showed a V-shaped trend. After the Spring Festival, affected by the insufficient vehicle supply, the value preservation rate of used cars increased slightly. However, with the launch of new vehicle price promotion activities, more and more consumers chose to wait, and the value preservation rate of used cars decreased significantly until the end of May to become stable.

According to the data released by the China Automobile Dealers Association, from January to June 2023, the cumulative transaction volume of used cars was 8.7686 million units, representing a year-on-year increase of 15.60%, or an increase of 1.1835 million units as compared with the same period, and the cumulative transaction amount was RMB551.726 billion. Since 1 June 2023, the Ministry of Public Security has simplified the registration procedures for used car transactions on the basis of the “one card policy”, driving a slight recovery of the used car market.

Cui Dongshu, secretary-general of the CPCA, said that used cars currently are in a stage of rapid rise, and the potential for future development is extremely huge. In addition, with the implementation of the separate endorsement policy for used cars, the used car business of automobile dealership groups will flourish, and the development potential of China’s used car sector is extremely huge.

Looking forward to the second half of the year, the moderate recovery of the macroeconomy is gradually transmitted to the automobile market, the good performance of new energy vehicle and automobile exports has effectively driven the market growth, and as the policy continuously takes effect, the consumption potential of the automobile market will be further released, which will help promote the industry to achieve stable growth throughout the year. However, it should also be noted that the current external environment is still complex, some structural problems are still prominent, consumer demand is still insufficient, the industry is still operating under greater pressure, and there are still many challenges to business operations, thus it is necessary to maintain the stability and predictability of policies to help the industry run smoothly.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2023, the Group realised operating income and gross operating profit of RMB5,271.2 million and RMB266.2 million, respectively. While optimising the brand network layout in superior regions, the Group continued to improve operating efficiency.

The Operational Capacity of New Automobile Sales Business Remained Stable, and Horizontal Business Continued to Improve

In the first half of 2023, the Group continued to adhere to the strategy of “increment-oriented, structural optimisation, schedule first”, and sold 14,891 new vehicles in the first half of 2023, representing a year-on-year increase of 3.7 percentage points; among which, the sales volume of new energy vehicles was still the key direction of improvement, and achieved a year-on-year increase of 52%.

The Group continued to promote prior order execution, strengthened sales process management, and provided improvement guidelines to various brand stores through spot check and data benchmarking analysis. The Group also strengthened inventory management, and conducted early warning and assessment on inventory turnover period. Resources were shared among various brand stores to accelerate inventory turnover while maximising sales profit.

Affected by market price, in the first half of the year, the Group focused its new automobile business on improving the contribution of horizontal business. Through the structural optimisation of financial business, the gross profit margin of horizontal business increased by 1.83 percentage points year on year. At the same time, the Group carried out derivative business redevelopment to provide customers with more comprehensive business protection.

Through intensive cultivation of customer portraits, the Group carried out targeted invitations, and thus the second-time invitation rate increased steadily; continued to strengthen circle marketing, and customer retention rate and referrals significantly increased by taking measures such as the grant of referral benefits to existing customers through the membership center platform; and focused on new media live streaming, Xiaohongshu and other online marketing channels to further improve sales volume.

Strengthened Fundamental Management and Focused on Exploring Accidental Maintenance Business

In the first half of 2023, the automobile after-sales service business recovered, but the Internet automobile service took advantage of its network distribution to seize the maintenance business, resulting in intensified competition in the accidental maintenance business. In adherence to customer-centric principle, the Group further strengthened the function of customer management center, accurately maintained customer relationships through customer portraits, developed personalised products to meet individual needs, improved the efficiency of solicitation, and attracted lost customers back. Through the joint efforts of the Group's employees, the number of active fundamental customers in the first half of the year increased by 12.3% year on year.

Intensified competition in the accidental maintenance market caused lower profitability to insurance companies after several fee reforms, contracting the room for compensation. On the one hand, the Group worked closely with insurance companies to constantly strengthen its insurance renewal business, therefore, the number of renewed policies increased by 8.1% year on year and premiums increased by 5.1% year on year. The continuous growth in total premiums also ensured stable growth of the accidental maintenance business. On the other hand, the Group aggressively leveraged on its strengths to develop an online accident clue platform in order to closely monitor clues follow-up, and therefore ensured a steady growth in the retention rate. Accident revenue in the first half of 2023 increased by 16% as compared with the same period in 2022.

In respect of electromechanical business, the Group continued to promote prior technical diagnosis to strengthen the technical advantages of services, properly enhanced the electromechanical business, and continuously created a technology-leading brand image of Sunfonda.

The Group's revenue from after-sales services in the first half of 2023 was RMB620.8 million, up by 14.5% from RMB542.1 million during the same period in 2022, and the gross profit of after-sales services was RMB248.8 million, up by 5.8% from RMB235.2 million during the same period in 2022.

In terms of decoration business, aiming at meeting the personalised needs of customers, the Group focused on the improvement of the penetration rate of key products on the sales side; in terms of after-sales, the Group fully explored the needs of retained customers to effectively capture the additional decoration items; and applied customised products for used cars to enhance customer satisfaction. In the future, the Group will also continue to strengthen the capabilities of the front-line team for marketing derivative products, and reinforce the marketing promotion of decoration, so as to better demonstrate the diversified service concept of the enterprise.



MANAGEMENT DISCUSSION AND ANALYSIS

The Used Car Business Embraced Market Development Opportunities, and the Replacement Rate Continued to Increase, Which is the Driving Force for Future Growth

As a core strategic business of the Group, the used car segment is also one of the Group's business priorities at this stage. In the first half of 2023, the Group continued to strengthen its core competence in used car business. By enhancing the ability of evaluation, testing, pricing and disposal, implementing standardised business control procedure, establishing a forced close-out mechanism, establishing and implementing a digital benchmarking system, maintaining healthy inventory and sound operations, and giving full play to the advantages of the Group's network distribution to optimise the nationwide distribution of used car resources, the Group ensured the compliance and maximised the benefits of its business operations.

In the first half of 2023, the Group continued to promote its used car certification system and build up the Sunfonda certified used car brand. Through in-depth development of in-use vehicles and intranet auction business, the purchase volume of used cars under the same brand increased by 18% year on year, and the sales volume of used cars under the same brand increased by 14% year on year, resulting in a year-on-year increase of 2.9% in the replacement rate of used cars in the first half of 2023, and a year-on-year increase of 3.8% in the transaction volume of used cars. Under the support of several auction platforms, the Group maintained healthy used car inventory turnover, and the average turnover days of used cars were only 14 days.

In 2023, the core objectives of the Group's used car business are still to promote new vehicle replacement, develop loyal customers, improve the entry of in-use high-quality vehicles and brand certification retail, expand business scale, realise the lifetime value chain circulation of customers' in-use vehicles, and create new profit growth points for the Group in conjunction with other business segments.

Achieved “Best Customer Experience” and Continuously Improved Profit Margins in Adherence to Customer-Centric Principle

The customer relationship management (CRM) department is the core for the Group to connect with customers, while customers are the carrier for enterprises to achieve sustainable development, and customer satisfaction is the basis of the Group’s customer management. For a long time, the Group has emphasised customer satisfaction and offered the best customer experience, thereby steadily improving customer retention and continuously enhancing profit margins.

In the first half of 2023, the Group used the digital management platform to integrate relevant resources of business departments, and unified customer portrait analysis method with “people, vehicles and services” as the center, so as to provide decision-making support for various business divisions. Meanwhile, customer portraits were used to further improve the Group’s capabilities for customer relationship maintenance and opportunity identification. By accurately selecting customers and developing customer benefit cards and coupons, the Group accurately pushed relevant data, so as to improve the traffic of existing customers. At the same time, the Group applied data analysis in identifying high-value customers, loyal customers, and lost customers, to grasp their market trends and adjust business strategies in a timely manner. The Group also effectively carried out additional purchase, redemption and referrals, as well as marketing and diversified customer care activities, to delivered the best customer experience and customer satisfaction, so that profits continued to increase.

Actively Responded to Market Changes by Steadily Promoting Network Expansion in Key Regions

The Group closely monitored the rapid development and changes in the automobile market, and took certain measures to stabilise the main business foundation of the Group’s existing automobile 4S stores. To adapt to the changes in automobile consumption demand in the Chinese market, the Group continuously optimised the structure of its brand portfolio to maintain the good profitability of the Group’s brands. Meanwhile, the Group continued to focus on core brands and key regions, constantly strengthened the network layout of dominant luxury brands and new energy brands with good growth space, cooperated with new energy brands with competitive advantages in various manners to capture the dividends of the new energy vehicle market development; continually cooperated with major popular brand automobile suppliers in China, and actively promoted brand network expansion in regions with competitive advantages.



MANAGEMENT DISCUSSION AND ANALYSIS

Since 2023, the Group has actively and steadily promoted the brand network development plan, and completed the construction of authorised stores including Xi'an Chanba Porsche Center, Beijing XPeng's experience center and delivery service center in the first half of the year, of which the completion and opening of Xi'an Chanba Porsche Center has further optimised the brand operation network of Porsche in Xi'an and enhanced the influence of Sunfonda Group as an agency. The opening of Beijing XPeng's brand experience center and delivery and after-sales service center has improved the Group's brand structure in the Beijing market, and this cooperation with new energy vehicle manufacturer with strong market competitiveness will provide rich marketing experience for the Group to further develop its new energy brands.

As at 30 June 2023, the Group had a total of 44 sale points in operation.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the Period was RMB5,271.2 million, representing an increase of RMB114.8 million or 2.2% as compared to that for the corresponding period in 2022. Among which, revenue from the sales of new automobiles was RMB4,471.0 million, representing an increase of RMB39.8 million or 0.9% as compared to that for the corresponding period in 2022; revenue from after-sales service business was RMB620.8 million, representing an increase of RMB78.7 million or 14.5% as compared to that for the corresponding period in 2022; and revenue from the sales of used cars was RMB179.4 million, representing a decrease of RMB3.7 million or 2.0% as compared to that for the corresponding period in 2022.

A substantial portion of the revenue of the Group was generated from sales of new automobiles, accounting for 84.8% of the revenue for the Period (corresponding period in 2022: 85.9%). Besides, revenue generated from after-sales service business accounted for 11.8% of the revenue for the Period (corresponding period in 2022: 10.5%), and revenue generated from used car sales business accounted for 3.4% of the revenue for the Period (corresponding period in 2022: 3.6%). Revenue of the Group was mainly derived from our operations in the PRC.

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

	For the six months ended 30 June/unaudited					
	2023			2022		
	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of new vehicles						
Luxury and ultra-luxury brands	3,721,436	10,243	363.3	3,596,380	9,452	380.5
Mid-end market brands	749,563	4,648	161.3	834,864	4,911	170.0
Sub-total/Average	4,470,999	14,891	300.2	4,431,244	14,363	308.5
Sales of used cars	179,377	1,240	144.7	183,145	1,131	161.9
After-sales services	620,807			542,053		
Total	5,271,183			5,156,442		



MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales and Services

Cost of sales and services for the Period was RMB5,005.0 million, representing an increase of RMB265.1 million or 5.6% as compared to that for the corresponding period in 2022, which was mainly due to the increase in the sales volume of new vehicles and the expansion of the after-sales service business during the Period. Among which, cost of sales of new automobiles for the Period was RMB4,461.9 million, representing an increase of RMB204.3 million or 4.8% as compared to that for the corresponding period in 2022. Cost of after-sales services for the Period was RMB372.0 million, representing an increase of RMB65.1 million or 21.2% as compared to that for the corresponding period in 2022. Cost of sales of used cars for the Period was RMB171.1 million, representing a decrease of RMB4.3 million or 2.5% as compared to that for the corresponding period in 2022.

Gross Profit

Gross profit for the Period was RMB266.2 million, representing a decrease of RMB150.3 million or 36.1% as compared to that for the corresponding period in 2022. The decrease in gross profit for the Period as compared to that for the corresponding period in 2022 was mainly due to the overall unsatisfactory profitability of new vehicle sales in the first half of 2023 affected by certain factors such as the macroeconomic environment and the fierce competition in the automobile consumption market. Of which, gross profit of sales of new automobiles was RMB9.1 million, representing a decrease of RMB164.5 million or 94.8% as compared to that for the corresponding period in 2022. Gross profit of after-sales service business was RMB248.8 million, representing an increase of RMB13.6 million or 5.8% as compared to that for the corresponding period in 2022. Gross profit of after-sales services for the Period accounted for 93.5% of the total gross profit (corresponding period in 2022: 56.5%). Gross profit of sales of used cars was RMB8.3 million, representing an increase of RMB0.6 million or 7.8% as compared to that for the corresponding period in 2022.

Gross profit margin for the Period was 5.1% (corresponding period in 2022: 8.1%).

Other Income and Gains, Net

Other income and gains, net mainly consist of commission income from automobile sales agency, insurance agency and automobile financing agency businesses, logistics and storage income, net gains from disposal of property, plant and equipment, and interest income.

Other income and gains, net for the Period amounted to RMB210.4 million, representing an increase of 80.8% as compared with RMB116.3 million for the corresponding period in 2022. The increase was mainly due to the fact that the Company continued to improve the financial penetration rate, and adjusted the financial business structure and commission ratio, which resulted in a significant increase in commission income from automobile financing agency business, reaching a new high.

Selling and Distribution Expenses

Selling and distribution expenses for the Period amounted to RMB272.0 million, representing an increase of RMB39.9 million or 17.2% as compared with RMB232.1 million for the corresponding period in 2022. The increase was mainly due to higher expenses for newly opened stores and the increase in remuneration for sales and after-sales personnel. As a percentage of revenue, the selling and distribution expenses increased from 4.5% for the corresponding period in 2022 to 5.2% for the Period, up by 0.7 percentage points.

Administrative Expenses

Administrative expenses for the Period amounted to RMB138.0 million, representing an increase of RMB9.6 million or 7.5% as compared with RMB128.4 million for the corresponding period in 2022. As a percentage of revenue, the administrative expenses slightly increased from 2.5% for the corresponding period in 2022 to 2.6% for the Period, up by 0.1 percentage points.

Finance Costs

Finance costs for the Period amounted to RMB51.7 million, representing an increase of RMB2.5 million or 5.1% as compared with RMB49.2 million for the corresponding period in 2022. The increase was mainly due to an increase in the number of newly opened stores.

Profit before Tax

As a result of the foregoing, profit before tax for the Period amounted to RMB14.8 million, representing a decrease of RMB108.3 million or 88.0% as compared with RMB123.1 million for the corresponding period in 2022.

Income Tax Expense

Income tax expense for the Period amounted to RMB6.6 million, representing a decrease of RMB38.6 million or 85.4% as compared with RMB45.2 million for the corresponding period in 2022, which was mainly due to the decline in profits for the Period resulting in a corresponding decrease in income tax expense. The effective income tax rate of the Group for the Period was approximately 44.5% (corresponding period in 2022: 36.7%).

Profit for the Period

As a result of the foregoing, profit for the Period was RMB8.2 million, representing a decrease of RMB69.6 million or 89.5% as compared with RMB77.8 million for the corresponding period in 2022.

Profit for the Period Attributable to Owners of the Parent

For the Period, profit for the period attributable to owners of the parent was RMB8.2 million, representing a decrease of RMB69.6 million or 89.5% as compared with RMB77.8 million for the corresponding period in 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the Period, the Group's net cash inflow generated from operating activities was RMB348.3 million, as compared with its net cash inflow generated from operating activities of RMB52.2 million for the six months ended 30 June 2022. The increase in net cash inflow from operating activities was mainly attributable to the increase in sales volume for the Period resulting in an increase in cash inflow generated from operating activities and the Company's timely adjustment of the inventory procurement schedule to maintain inventory ratio at a safe level.

For the Period, the Group's net cash outflow of investing activities was RMB150.2 million, as compared with its net cash outflow of investing activities of RMB116.0 million for the six months ended 30 June 2022. For the Period, the project investment progressed steadily as scheduled.

For the Period, the Group's net cash outflow of financing activities was RMB246.5 million, as compared with its net cash inflow of financing activities of RMB95.1 million for the six months ended 30 June 2022. The increase in net cash outflow of financing activities was mainly attributable to the increase in net cash outflows for repayment of bank loans and other borrowings for the Period.

Net Current Assets

As at 30 June 2023, the Group's net current assets amounted to RMB417.5 million, as compared to its net current assets of RMB376.8 million as at 31 December 2022.

Inventories

The Group's inventories primarily consist of new automobiles, used cars, spare parts and decoration accessories. As at 30 June 2023, the Group's inventories amounted to RMB1,264.0 million, representing a decrease of 6.2% as compared with RMB1,346.9 million as at 31 December 2022, which was mainly attributable to the increase in sales volume and the decrease in purchases for the Period.

In the first half of 2023, the Group's average inventory turnover days (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 180 days) were 47.3 days, representing a slight increase as compared with 43.0 days in 2022, which was mainly attributable to the increase in the average inventory amount for the Period as compared with that for last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Loans and Other Borrowings

As at 30 June 2023, the Group's bank loans and other borrowings were RMB2,319.5 million, representing a decrease of 6.5% as compared with RMB2,481.1 million as at 31 December 2022.

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

	30 June 2023 Unaudited		31 December 2022 Audited	
	Effective	Amount	Effective	Amount
	interest rate	RMB'000	interest rate	RMB'000
	(%)		(%)	
CURRENT				
Bank loans	3.0-5.8	1,542,985	3.2-5.9	1,667,657
Other borrowings	1.8-8.5	336,072	1.8-8.5	452,020
Sub-total		1,879,057		2,119,677
NON-CURRENT				
Bank loans	3.5-5.9	440,432	3.5-5.9	361,456
Sub-total		440,432		361,456
Total		2,319,489		2,481,133
Among which:				
Secured loans		1,720,512		1,882,047
Unsecured loans		598,977		599,086
Total		2,319,489		2,481,133

As at 30 June 2023, the Group's gearing ratio, which is net debt divided by total equity plus net debt, was 47.3% (31 December 2022: 47.2%). Net debt includes bank loans and other borrowings, trade and bills payables and other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits.



MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 June 2023, certain of the Group's bank loans were secured by charges or pledges over its assets. The Group's assets subject to these charges or pledges as at 30 June 2023 consisted of: (i) inventories amounting to RMB617.8 million; (ii) property, plant and equipment amounting to RMB364.0 million; (iii) land use rights amounting to RMB258.2 million; (iv) construction in progress amounting to RMB353.3 million; and (v) pledged bank deposits amounting to US\$3.6 million (equivalent to RMB26.0 million) and RMB91.5 million.

As at 30 June 2023, certain of the Group's inventories amounting to RMB288.4 million and pledged bank deposits amounting to RMB441.1 million were pledged as securities for bills payable.

Capital Expenditures and Significant Investment Held

The Group's capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. During the Period, the Group's total capital expenditures were RMB199.1 million, representing a decrease of RMB23.1 million as compared with RMB222.2 million for the corresponding period in 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures.

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities or guarantees.

Staff Cost and Employee Remuneration Policy

As at 30 June 2023, the Group had 3,318 employees. Staff cost of the Group increased by 20.1% from RMB168.3 million for the corresponding period in 2022 to RMB202.1 million for the Period, mainly due to the Group's adjustment of remuneration structure according to market conditions and the improvement of performance-based bonuses. The Group formulates suitable staffing proposals based on scientific people-efficiency ratio, and offers attractive remuneration packages based on market conditions, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and after-sales staff with performance-based bonuses based on their contributions to revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. In order to maintain the rapid development of the Group's network, the Group also continues to build up its quality talent pool and prudently manage its human resources and makes corresponding adjustments to the arrangement of positions based on the changes in overall business volume. Meanwhile, the Group attaches great importance to the reserve of talent and team building. Regular training in respect of business skills, expertise and professional attributes 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.

PRINCIPAL RISKS

Business Risk

The Group's rights on operating points of sales, the supply of automobiles and spare parts as well as other important aspects in the Group's businesses and operations are all subject to our dealership authorization agreements with automobile suppliers. The Group's dealership authorization agreements are non-exclusive, and generally have terms of one to three years with the option of renewal. The automobile suppliers may terminate the dealership authorization agreements by giving three to twelve months' written notice in general for various reasons or without reasons. Of course, the Group may terminate the dealership authorization agreements with the automobile suppliers based on reasons such as adjustment of business strategies of the Group or others. In case of any of the foregoing, the Group's business, operating conditions and future development may be affected. Accordingly, the Group communicated and exchanged views with each automobile supplier regularly with a view to achieving a win-win cooperation relationship.

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 obligations at a floating interest rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Exchange Rate Risk

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGY AND PROSPECTS

The Interconnected Development of Xi'an Metropolitan Area Where Sunfonda Group Is Headquartered Is Reaccelerating

With a series of urban development events yielding brilliant results, such as the approval of the “dual centers” for science and technology, the successful holding of the China-Central Asia Summit, the official commencement of construction of Xi'an East Railway Station, the operation mileage of metros exceeding 300 kilometers, and the continuous outstanding performance of cultural tourism in the ancient capital, Xi'an, where Sunfonda Group is headquartered, is showing the world with a new image. Xi'an metropolitan area is the fifth national metropolitan area approved for construction in addition to Nanjing, Fuzhou, Chengdu and Changsha-Zhuzhou-Xiangtan metropolitan areas subject to respective development plan, and is also the only metropolitan area approved for development in Northwest China at present. Since July, the Shaanxi Provincial Development and Reform Commission has issued the “Annual Key Tasks” and “List of Key Projects” for promoting the integrated development of Xi'an and Xianyang in 2023 and the “Annual Key Tasks” and “List of Key Projects” for promoting the construction of Xi'an metropolitan area in 2023. In this regard, Xi'an will lead and support the integrated development of Xi'an and Xianyang with major engineering projects to make new breakthroughs in spatial planning, innovation-driven, industrial development, ecological and environmental protection, infrastructure, urban construction, public services and other aspects, and accelerate the construction of a modern Xi'an metropolitan area integrating transportation, science and technology, industrial, living and ecological circles. There are a total of 198 projects, covering eight categories such as innovation-driven, advanced manufacturing, and infrastructure, with a total investment of RMB884.06 billion and an annual planned investment of RMB165.63 billion. In the future, Xi'an's economic development will usher in a new round of development opportunities.

To Adjust the Brand Structure in an Orderly Manner to Consolidate the Brand Advantages of the Group

With the continuous expansion of authorised sale points of Porsche, BMW and other brands, the Group has further improved its coverage of luxury brands in Northwestern China and consolidated its leading position in the region. In the future, the Group will continue to strengthen communication and cooperation with major competitive automobile manufacturers, further optimise the brand structure, keep up with market orientation, continuously promote cooperation with new energy automobile brands, and further enhance the development plan for new energy automobile business.

To Promote the Construction of the “FUN TIME LANE” Automobile Fashion Street Zone Project

The Group has innovatively created the “FUN TIME LANE” automobile fashion street zone project which integrates automobile sales with multiple business patterns such as catering, leisure and entertainment, aiming to create a more abundant, green, intelligent, diversified and integrated car purchase, shopping and fashion living environment for customers. The “FUN TIME LANE” automobile fashion street zone located in Chanba Ecological Zone, Xi’an has been completed, and is currently in the stage of final acceptance of construction, for which the investment promotion is planned to be completed for commencing business in mid-2024. At the same time, the Group is also promoting the construction of BMW and GAC Toyota authorised 4S stores in Lanzhou “FUN TIME LANE”, which is planned to be completed and put into operation in 2023.

Private Traffic Operations Have Achieved Preliminary Results, and the Customer Portrait Project Provides Support for Targeted Services

In 2023, the Group has strengthened clue identification for private traffic and retained customers, and added Tencent Enterprise WeChat interface on the original service platform “Sunfonda Group Membership Center” to achieve effective and reasonable communication between its own system and customers through WeChat. As at the end of June, the Group’s enterprise WeChat page has accommodated 100,000 new customers.

In March 2023, the Group launched its self-developed mini program “Taiai Auto Accident Clue Submission”, through which customers and employees who see accidents on the road can shoot and upload short videos in time, and after receiving clues, the Group’s service outlets can contact customers as soon as possible and quickly arrive at the scene to provide services. By the end of June, the Group has collected nearly 1,800 clues on road accidents, nearly 80% of which were effective. At the same time, the Group’s service improvement for online customer demand also achieved preliminary effect this year. Customers can make appointments through the membership center for free door-to-door used car appraisal, replacement of new cars, and application and registration for the latest market activities, then the program will automatically push information to the person in charge of the corresponding outlet, and each position is required to make prompt response within three minutes to assist customers in the effective solution of various demands.

In the first half of the year, the Group’s information empowerment center launched a customer portrait system, which integrates nearly 60 data items in nine categories, including sales, after-sales, used cars and user preferences, through business data collection and analysis. Through visual display and screening, the Group can quickly determine the characteristics of various types of customers and design product and service content accordingly. At present, the system has achieved good test results in four stores in Xi’an, and will be promoted throughout the Group in the second half of the year.



MANAGEMENT DISCUSSION AND ANALYSIS

To Attach Importance to Integrated Marketing and Promote the Overall Improvement of the Group's Brand Influence

With the advent of the era of information fragmentation, the changing consumer demand, and the rapid development of new technologies such as artificial intelligence and big data, a single traditional marketing method can no longer accurately identify consumer groups and meet customer needs. In 2023, the Group has attached great importance to integrated marketing in all respects, for which the Group has focused on improving consumer experience and consumer satisfaction, aimed at online and offline precision marketing, comprehensively promoted the development of key marketing projects such as new media, cross-industry alliances, referrals from existing customers, and circle activities, and effectively combined various resources according to different stages. As at June 2023, the new media team for each brand store of the Group has been basically set up, the focus of new media operation has changed from quantitative accumulation to qualitative conversion, and the Group's ERP system has realised visual supervision on the new media operation of each store, further improving the Group's understanding of the new media operation of each brand store, and promoting the conversion of new media clues and traffic of each brand store. Meanwhile, on the one hand, the Group launches an online theme marketing activity at the group level on a monthly basis according to the situation of the membership center, in order to further promote the conversion of online customer clues through cards and coupons, online registration and other ways. On the other hand, the Group strengthens the development of cross-industry resources for each store, the interconnection of customer systems between two parties, the formulation and publicity of referral policies, and the carrying out of special activities for new media, by combining online and offline methods, so as to promote the overall improvement of the Group's market share, brand influence and customer loyalty.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EQUITY INTEREST

As at 30 June 2023, the authorized share capital of the Company was US\$100,000 divided into 1,000,000,000 shares, of which 600,000,000 shares were issued and credited as fully paid.

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

As at 30 June 2023, the interests and short positions of the directors of the Company (the "Director(s)") and the chief executives of the Company in the shares, underlying shares and debentures 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")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) Interests and short positions 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	437,992,600 (L)	73.00%
		2	20,000,000 (S)	3.33%
Ms. Chiu Man	Interest held by controlled corporations	1	437,992,600 (L)	73.00%
		2	20,000,000 (S)	3.33%
Ms. Chen Wei	Beneficial owner		164,000 (L)	0.03%
Mr. Deng Ning	Beneficial owner		71,000 (L)	0.01%

(L): Long position (S): Short position



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) These shares are held as to 434,183,000 shares by Top Wheel Limited ("**Top Wheel**") and 3,809,600 shares by Westernrobust Company Limited ("**Westernrobust**").

The issued share capital of Top Wheel is owned as to 70% by Golden Speed Enterprises Limited ("**Golden Speed**"), a corporation wholly-owned and controlled by Mr. Wu Tak Lam, and 30% by Win Force Enterprises Limited ("**Win Force**"), a corporation wholly-owned and controlled by Ms. Chiu Man. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are deemed to be interested in the 434,183,000 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. As at the date of this report, Top Wheel has not voted at any general meetings of the Company based on the unvested shares held by the Management Trust, and Top Wheel shall abstain from voting on matters that require shareholders' approval under the Listing Rules in respect of the unvested shares held by the Management Trust in accordance with Rules 17.12(2) and 17.05A of the Listing Rules in the future. The Management Trust and Top Wheel are deemed to be interested in the 3,809,600 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 3,809,600 shares of the Company held by Westernrobust pursuant to Part XV of the SFO.

- (2) On 19 November 2020, Top Wheel, a company wholly and beneficially owned by Mr. Wu Tak Lam and Ms. Chiu Man, entered into two option agreements with Asian Equity Special Opportunities Portfolio Master Fund Limited ("**AESOP**"), and entered into a supplementary agreement on 18 November 2022, pursuant to which, Top Wheel has agreed to grant (i) a call option (the "**Option I**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option I Shares**") held by Top Wheel, with the exercise price of HK\$1.60 per Option I Share and exercise period of 42 months from the date of the grant of the Option I; and (ii) a call option (the "**Option II**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option II Shares**") held by Top Wheel, with the exercise price of HK\$2.98 per Option II Share and exercise period of 54 months from the date of the grant of the Option II. For details, please refer to the Company's announcement dated 19 November 2020.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 30 June 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(B) Long positions 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%
	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 involved divided by the number of issued shares of the associated corporation as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, the following persons (other than the Directors or chief executives of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests and short positions in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Top Wheel Limited	Beneficial owner	1	434,183,000 (L)	72.36%
			20,000,000 (S)	3.33%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	1	3,809,600 (L)	0.63%
			437,992,600 (L)	73.00%**
			20,000,000 (S)	3.33%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	437,992,600 (L)	73.00%
			20,000,000 (S)	3.33%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	437,992,600 (L)	73.00%
			20,000,000 (S)	3.33%
RAYS Capital Partners Limited	Investment manager	2	42,112,000 (L)	7.02%
RUAN David Ching Chi	Interest held by a controlled corporation	2	42,112,000 (L)	7.02%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	2	42,076,000 (L)	7.01%

(L): Long position (S): Short position

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) Asian Equity Special Opportunities Portfolio Master Fund Limited is wholly-owned by RAYS Capital Partners Limited, which is in turn owned as to 45.60% by Ruan, David Ching-chi, RAYS Capital Partners Limited and Ruan, David Ching-chi are therefore deemed to be interested in the 42,076,000 shares (of which 20,000,000 shares are non-listed derivatives under a convertible instrument) held by Asian Equity Special Opportunities Portfolio Master Fund Limited.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2023.

** As the figures are the results of rounding adjustments, there is a discrepancy after aggregating the figures.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, no person, other than the Directors whose interests are set out in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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. As at the date of this report, the remaining term of the Share Option Scheme was less than five months.

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 the board of Directors (the “**Board**”) has contributed or will contribute to the Group.

The maximum number of shares issuable under share options granted to each qualified participant under 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 at a general meeting of the Company.

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 of the Company. 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 of the Company.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 of the Company, 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 of the Company 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. The number of share options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 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.

With the effectiveness of the new Chapter 17 of the Listing Rules with effect from 1 January 2023, the Company shall comply with the relevant rules of the new Chapter 17 of the Listing Rules under the transitional arrangements before the Share Option Scheme is amended to comply with the new Chapter 17 of the Listing Rules.

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme was adopted by the Company on 8 January 2014 for the purpose of recognising and rewarding the contribution of 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 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, representing 1.5% of the issued shares of the Company as at the approval date of this report, were transferred to the Management Trust for nil consideration on the same date pursuant to the Pre-IPO Share Award Scheme. Unless otherwise terminated or amended, the Pre-IPO Share Award Scheme shall be valid and effective for a term of ten years from the date of adoption. As at the date of this report, the remaining term of the Pre-IPO Share Award Scheme was approximately four months. The maximum number of awarded shares granted to each qualified participant under the Pre-IPO Share Award Scheme (including both vested and outstanding awarded shares) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of awarded shares in excess of this limit is subject to shareholders' approval at a general meeting of the Company. As of 30 June 2023, a total of 5,190,400 shares of the Company had been awarded to the grantees in accordance with the Pre-IPO Share Award Scheme. Details of the Pre-IPO Share Award Scheme are disclosed in the Company's prospectus and Note 16 to the Financial Statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Details of awarded shares granted and not vested under the Pre-IPO Share Award Scheme during the Period:

Grantees of awarded shares ⁽¹⁾	Capacity in the Group	Number of awarded shares as at 1 January 2023	Dates of grant	Purchase price	Vesting period	Vested during the Period	Weighted average closing price of the shares immediately prior to the date of vesting of the awarded shares	Cancelled during the period	Lapsed during the period	Number of awarded shares as at 30 June 2023
Director of the Company Mr. Deng Ning	Executive Director	12,000	8 February 2018	N/A	5 years ⁽²⁾	12,000	HK\$1.34	-	-	-
	Sub-total	12,000				12,000		-	-	-
5 employees and former employees of the Company		55,600	8 February 2018	N/A	5 years ⁽²⁾	55,600	HK\$1.34	-	-	-
	Sub-total	55,600				55,600		-	-	-
	Total	67,600	8 February 2018	N/A	5 years ⁽²⁾	67,600	HK\$1.34	-	-	-

Notes:

- (1) None of the top five highest paid individuals for the six months ended 30 June 2023 had outstanding awarded shares for the six months ended 30 June 2023.
- (2) The awarded shares granted to any particular selected employee during the vesting period will vest on each anniversary of the grant date of the relevant awards in equal portions.

No share awards were granted during the six months ended 30 June 2023. As at 1 January 2023 and 30 June 2023, the number of awarded shares available for grant under the Pre-IPO Share Award Scheme were 3,809,600 shares and 3,809,600 shares, respectively.

With the effectiveness of the new Chapter 17 of the Listing Rules with effect from 1 January 2023, the Company shall comply with the relevant rules of the new Chapter 17 of the Listing Rules under the transitional arrangements before the Pre-IPO Share Award Scheme is amended to comply with the new Chapter 17 of the Listing Rules.



CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$0.04 (equivalent to approximately RMB0.03) per ordinary share).

CORPORATE GOVERNANCE

The Board believes effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and enhance the interests of the shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Board is of the view that, during the six months ended 30 June 2023, the Company has complied with the rules and code provisions set out in the CG Code.

UPDATE ON DIRECTOR'S INFORMATION

According to Rule 13.51B(1) of the Listing Rules, since the publication of the Company's 2022 annual report, the changes in Directors' information are set out as follows:

Dr. Han Qinchun has been appointed as an independent non-executive Director of the Company, and the chairman of the audit committee of the Company (the "**Audit Committee**"), a member of each of the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the finance and investment committee (the "**Finance and Investment Committee**") of the Company, with effect from 18 May 2023. On the same day, Mr. Liu Jie, a former independent non-executive Director of the Company (resigned on 12 June 2023), was re-designated from the chairman of the Audit committee to a member of the Audit Committee.

Mr. Liu Jie, a former independent non-executive Director of the Company, has resigned as an independent non-executive Director of the Company, and a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Finance and Investment Committee, with effect from 12 June 2023.

Dr. Liu Xiaofeng, an independent non-executive Director of the Company, resigned as an independent non-executive director of AAG Energy Holdings Limited on 11 August 2023 following its privatization on 12 July 2023.

Save as disclosed above, since the publication of the Company's 2022 annual report, no other changes in Directors' information should be disclosed according to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2023, the Group was neither involved in any material litigation or arbitration, nor may be brought up or accused of any pending material litigation or claims.

EVENTS AFTER THE PERIOD

There was no significant subsequent event undertaken by the Group after 30 June 2023 that need to be disclosed under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting standards and practices that the Company adopted, and discussed matters related to risk management, internal control and financial reporting. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The Audit Committee has reviewed the Company's 2023 interim report and the announcement of interim results and unaudited condensed consolidated financial statements for the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules, as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, all of them confirmed that they had complied with the Model Code throughout the six months ended 30 June 2023.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Company has established written guidelines for the relevant employees of the Company (the “**Relevant Employees**”) in respect of their dealings in the securities of the Company (the “**Written Guidelines**”) on terms no less exacting than the required standard set out in the Model Code. For this purpose, the Relevant Employees include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2023.

CONSTITUTIONAL DOCUMENTS

At the Company’s annual general meeting held on 18 May 2023, a special resolution on the proposed amendments to the memorandum and articles of association (the “**Memorandum and Articles**”) of the Company was duly passed. According to the special resolution, the Company immediately adopted a new set of memorandum and articles of association of the Company in substitution for and to the exclusion to the former memorandum and articles of association in order to, among other things, permit the Company to (i) hold hybrid general meetings and electronic general meetings; (ii) bring the Memorandum and Articles in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules, in particular, the Core Shareholder Protection Standards in the updated Appendix 3 to the Listing Rules with effect from 1 January 2022; and (iii) incorporate certain housekeeping amendments.

The latest version of the Company’s Memorandum and Articles is available on the websites of the Company and the Stock Exchange. For further details on the shareholders’ rights and interests, shareholders can refer to the articles of association of the Company.

Chairman of the Board

Wu Tak Lam

23 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
Revenue	4(a)	5,271,183	5,156,442
Cost of sales and services	5(b)	(5,004,984)	(4,739,970)
Gross profit		266,199	416,472
Other income and gains, net	4(b)	210,350	116,342
Selling and distribution expenses		(272,039)	(232,133)
Administrative expenses		(137,985)	(128,426)
Profit from operations		66,525	172,255
Finance costs	6	(51,738)	(49,194)
Profit before tax	5	14,787	123,061
Income tax expense	7	(6,580)	(45,236)
Profit for the period		8,207	77,825
Attributable to:			
Owners of the parent		8,207	77,825
Earnings per share attributable to ordinary equity holders of the parent	9		
Basic and diluted (RMB)		0.01	0.13



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
PROFIT FOR THE PERIOD	8,207	77,825
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	1,277	2,415
Total comprehensive income for the period, net of tax	9,484	80,240
Attributable to:		
Owners of the parent	9,484	80,240

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2023

	Notes	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,764,167	1,702,459
Right-of-use assets		712,382	726,249
Intangible assets		10,891	10,145
Prepayments		25,622	47,162
Goodwill		10,284	10,284
Deferred tax assets		50,899	41,729
Total non-current assets		2,574,245	2,538,028
CURRENT ASSETS			
Inventories	10	1,263,964	1,346,879
Trade receivables	11	46,980	37,641
Prepayments, other receivables and other assets	12	911,475	866,524
Amounts due from a related party	20(b)	5,055	5,090
Financial assets at fair value through profit or loss		3,017	3,065
Pledged bank deposits		571,874	388,139
Cash in transit		9,997	17,198
Short-term deposits		86,700	84,920
Cash and cash at banks		603,577	626,003
Total current assets		3,502,639	3,375,459
CURRENT LIABILITIES			
Bank loans and other borrowings	13	1,879,057	2,119,677
Trade and bills payables	14	828,592	481,310
Other payables and accruals		331,122	355,798
Lease liabilities		25,561	28,685
Income tax payable		20,828	13,171
Total current liabilities		3,085,160	2,998,641
NET CURRENT ASSETS		417,479	376,818
TOTAL ASSETS LESS CURRENT LIABILITIES		2,991,724	2,914,846



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2023

	Notes	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	13	440,432	361,456
Lease liabilities		64,537	66,288
Deferred tax liabilities		25,006	24,287
Total non-current liabilities		529,975	452,031
NET ASSETS			
2,461,749			
NET ASSETS			
2,461,749			
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	377	377
Reserves	17	2,461,372	2,462,438
Total equity		2,461,749	2,462,815

Director
Wu Tak Lam

Director
Chiu Man

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023	377	97,842	118,045	179,645	157,947	11,408	41,675	1,855,876	2,462,815
Profit for the period	-	-	-	-	-	-	-	8,207	8,207
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,277	-	1,277
Total comprehensive income for the period	-	-	-	-	-	-	1,277	8,207	9,484
Final 2022 dividend declared	-	(10,560)	-	-	-	-	-	-	(10,560)
Equity-settled share award expense (note 16)	-	-	-	-	-	10	-	-	10
At 30 June 2023 (Unaudited)	377	87,282	118,045	179,645	157,947	11,418	42,952	1,864,083	2,461,749

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022	377	161,202	118,045	156,505	157,947	11,390	35,604	1,797,751	2,438,821
Profit for the period	-	-	-	-	-	-	-	77,825	77,825
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	2,415	-	2,415
Total comprehensive income for the period	-	-	-	-	-	-	2,415	77,825	80,240
Final 2021 dividend declared	-	(40,800)	-	-	-	-	-	-	(40,800)
Equity-settled share award expense (note 16)	-	-	-	-	-	33	-	-	33
At 30 June 2022 (Unaudited)	377	120,402	118,045	156,505	157,947	11,423	38,019	1,875,576	2,478,294



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
	Notes		
Operating activities			
Profit before tax		14,787	123,061
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	82,297	78,737
Depreciation of right-of-use assets	5(c)	24,278	20,521
Amortisation of intangible assets	5(c)	403	411
Interest income	4(b)	(4,713)	(3,473)
Net gain on disposal of items of property, plant and equipment	4(b)	(10,641)	(8,450)
Net loss on disposal of right-of-use assets	4(b)	878	–
Equity-settled share award expense	5(a)	10	33
Fair value losses, net:			
Financial products	4(b)	48	170
Accrual of impairment of inventories		917	6,076
Finance costs	6	51,738	49,194
		160,002	266,280
Decrease/(Increase) in inventories		81,998	(271,786)
Increase in trade receivables		(9,339)	(8,045)
(Increase)/Decrease in prepayments, other receivables and other assets		(44,951)	155,618
Decrease in amounts due from a related party		35	591
Increase in pledged bank deposits		(183,735)	(66,884)
Decrease/(Increase) in cash in transit		7,201	(17,747)
Increase in trade and bills payables		347,282	63,769
Decrease in other payables and accruals		(2,811)	(5,855)
Cash generated from operations		355,682	115,941
Tax paid		(7,374)	(63,770)
Net cash generated from operating activities		348,308	52,171

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
Investing activities		
Purchase of items of property, plant and equipment	(197,925)	(222,189)
Proceeds from disposal of items of property, plant and equipment	68,420	60,740
Purchase of intangible assets	(1,149)	–
Interest received	4,713	3,473
Proceeds from disposal of equity investment designated at fair value through profit or loss	–	40,000
(Increase)/Decrease of time deposits of maturity over three months	(24,285)	2,010
Net cash used in investing activities	(150,226)	(115,966)
Financing activities		
Proceeds from bank loans and other borrowings	4,054,297	3,677,773
Repayment of bank loans and other borrowings	(4,218,195)	(3,472,531)
Principal portion of lease payments	(14,956)	(18,374)
Interest paid for bank loan and other borrowings	(57,130)	(50,932)
Dividends paid	(10,560)	(40,800)
Net cash (used in)/generated from financing activities	(246,544)	95,136
Net (decrease)/increase in cash and cash equivalents	(48,462)	31,341
Cash and cash equivalents at the beginning of each period	709,179	931,300
Effect of foreign exchange rate changes, net	3,531	1,060
Cash and cash equivalent at the end of each period	664,248	963,701
Analysis of balances of cash and cash equivalents		
Cash and bank balances	603,577	907,621
Short-term deposits with maturity less than 3 months	60,671	56,080
	664,248	963,701



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. CORPORATE INFORMATION

Sunfonda Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 January 2011 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 May 2014.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The new and revised standards have had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. 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.

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
Revenue from contracts with customers Disaggregated revenue information		
Types of goods or service		
Revenue from the sale of motor vehicles	4,650,376	4,614,389
Others	620,807	542,053
Total revenue from contracts with customers	5,271,183	5,156,442
Timing of revenue recognition		
At a point in time	5,271,183	5,156,442

(b) Other income and gains, net:

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
Commission income	178,717	85,970
Logistics and storage income	12,909	12,629
Government grants	676	1,313
Interest income	4,713	3,473
Net gain on disposal of items of property, plant and equipment	10,641	8,450
Net loss on disposal of items of right-of-use assets	(878)	–
Fair value losses, net:		
Financial assets at fair value through profit or loss		
– Financial product	(48)	(170)
Others	3,620	4,677
	210,350	116,342

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	144,538	117,403
Equity-settled share award expense	10	33
Other welfare	28,857	26,933
	173,405	144,369
(b) Cost of sales and services:		
Cost of sales of motor vehicles	4,632,951	4,433,088
Others*	372,033	306,882
	5,004,984	4,739,970
(c) Other items		
Depreciation and impairment of property, plant and equipment	82,297	78,737
Depreciation of right-of-use assets	24,278	20,521
Amortisation of intangible assets	403	411
Advertisement and business promotion expenses	35,342	34,500
Lease expenses	2,187	3,736
Bank charges	2,128	2,193
Office expenses	18,332	19,294
Logistics expenses	13,601	12,054
Net loss on disposal of items of right-of-use assets	878	-
Net gain on disposal of items of property, plant and equipment	(10,641)	(8,450)

* There were employee benefit expenses of RMB28,732,000 (six months ended 30 June 2022: RMB23,930,000) included in the cost of sales and services.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. FINANCE COSTS

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
Interest on bank borrowings and other borrowings	54,638	50,922
Interest expense on lease liabilities	2,492	2,691
Less: Interest capitalised	(5,392)	(4,419)
	51,738	49,194

7. INCOME TAX

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
Current Mainland China corporate income tax	15,031	45,228
Deferred tax	(8,451)	8
	6,580	45,236

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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate for the Mainland China subsidiaries is 25% from 1 January 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

7. INCOME TAX (continued)

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

8. DIVIDENDS

The board of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$0.04 per ordinary share, amounting to a total of approximately HK\$24,000,000).

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

The calculation of the basic earnings per share for the six months ended 30 June 2023 is based on the profit for the period attributable to owners of parent, and the weighted average number of ordinary shares of 600,000,000 (six months ended 30 June 2022: 600,000,000) in issue during the period.

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

	For the six months ended 30 June 2023 Unaudited RMB'000	For the six months ended 30 June 2022 Unaudited RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	8,207	77,825
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Shares		
Weighted average number of ordinary shares in issue during the period	600,000,000	600,000,000
Earnings per share		
Basic and diluted (RMB)	0.01	0.13



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. INVENTORIES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Motor vehicles	1,171,677	1,247,220
Spare parts	92,287	99,659
	1,263,964	1,346,879

As at 30 June 2023, certain of the Group's inventories with an aggregate carrying amount of approximately RMB617,786,000 (31 December 2022: RMB664,603,000) and RMB288,372,000 (31 December 2022: RMB169,339,000) were pledged as securities for the Group's bank loans and other borrowings (note 13(a)) and bill payables (note 14), respectively.

11. TRADE RECEIVABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade receivables	46,980	37,641

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

11. TRADE RECEIVABLES (continued)

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within 3 months	45,247	36,113
More than 3 months but less than 1 year	367	422
Over 1 year	1,366	1,106
Total	46,980	37,641

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Prepayments and deposits to suppliers	434,123	430,240
Vendor rebate receivables	287,170	264,570
VAT recoverable ⁽ⁱ⁾	80,145	62,487
Others	110,037	109,227
	911,475	866,524

Note:

- (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.

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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. BANK LOANS AND OTHER BORROWINGS

	30 June 2023 Unaudited		31 December 2022 Audited	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	3.0-5.8	1,542,985	3.2-5.9	1,667,657
Other borrowings	1.8-8.5	336,072	1.8-8.5	452,020
		1,879,057		2,119,677
NON-CURRENT:				
Bank loans	3.5-5.9	440,432	3.5-5.9	361,456
		2,319,489		2,481,133
Bank loans and other borrowings represent:				
– secured loans (a)		1,720,512		1,882,047
– unsecured loans		598,977		599,086
		2,319,489		2,481,133

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. BANK LOANS AND OTHER BORROWINGS (continued)

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Analysed into:		
Bank loans repayable		
Within one year	1,542,985	1,667,657
In the second year	54,395	88,400
In the third to fifth years, inclusive	276,783	142,188
Over fifth years	109,254	130,868
	1,983,417	2,029,113
Other borrowings repayable		
Within one year	336,072	452,020
Total	2,319,489	2,481,133

- (a) As at 30 June 2023, certain of the Group's bank loans and other borrowings are secured by:
- (i) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB617,786,000 (31 December 2022: RMB644,603,000) (note 10);
 - (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB363,999,000 (31 December 2022: RMB356,747,000);
 - (iii) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB258,176,000 (31 December 2022: RMB254,069,000);
 - (iv) mortgages over the Group's construction in progress, which had an aggregate carrying value of approximately RMB353,318,000 (31 December 2022: RMB346,892,000);
 - (v) mortgages over the Group's bank deposits, which had an aggregate carrying value of approximately RMB91,513,000 (31 December 2022: RMB119,872,000) and US\$3,602,000 (equivalent to RMB26,028,000) (31 December 2022: US\$3,281,000 (equivalent to RMB22,849,000)).
- (b) Except for the secured bank loan amounting to HK\$66,400,000 (equivalent to RMB61,221,000) (31 December 2022: HK\$66,400,000 (equivalent to RMB59,313,000)) which is denominated in Hong Kong dollars, all borrowings are in Renminbi.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. TRADE AND BILLS PAYABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade payables	95,117	84,838
Bills payable	733,475	396,472
Trade and bills payables	828,592	481,310

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within 3 months	641,727	331,989
3 to 6 months	178,726	140,838
6 to 12 months	5,845	364
Over 12 months	2,294	8,119
Total	828,592	481,310

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

As at 30 June 2023, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB288,372,000 (31 December 2022: RMB169,339,000) (note 10).

As at 30 June 2023, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB441,097,000 (31 December 2022: RMB240,215,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. SHARE CAPITAL

Issued and fully paid

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

16. SHARE-BASED PAYMENTS

(a) Pre-IPO SHARE AWARD SCHEME

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

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

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

	2023 Number of awarded shares '000	2022 Number of awarded shares '000
At 1 January	67	475
Vested during the period	(67)	(364)
Forfeited during the period	–	–
At 30 June	–	111

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. SHARE-BASED PAYMENTS (continued)

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

Particulars of awarded shares as at 30 June 2023 and 30 June 2022 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK\$/share	Number of outstanding shares as at	
			30 June 2023 '000	30 June 2022 '000
5 years	8 Feb 2018	1.23	-	111
			-	111

No share awards were granted for the period ended 30 June 2023.

The fair value of share awards granted was estimated, by reference to the market value of the share awards as at the date of grant, taking into account the terms and conditions upon which the share awards were granted.

The Group recognised a share awards expense of RMB10,000 during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB33,000).

At the end of the period, the Company had nil (30 June 2022: 111,000) awarded shares outstanding under the Pre-IPO Share Award Scheme.

(b) Share Option Scheme

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

No share options were granted under the Share Option Scheme during the period ended 30 June 2023 and 30 June 2022.

17. RESERVES

(i) Statutory reserve

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

(ii) Merger reserve

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

(iii) Exchange fluctuation reserve

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

(iv) Capital reserve

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

18. CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. COMMITMENTS

Capital commitments

Capital commitments of the Group at the reporting date not provided for in these financial statements are as follows:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Contracted, but not provided for buildings	70,636	232,540

20. 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 reporting period:

(a) Transactions with related parties

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

	30 June 2023 Unaudited RMB'000	30 June 2022 Unaudited RMB'000
(i) Sales of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.*	1,002	1,337
(ii) Purchase of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.*	10,684	1,020

* 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties

Due from a related party:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade related Yangzhou Sunfonda Automobile Co., Ltd.	5,055	5,090

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

	30 June 2023 Unaudited RMB'000	30 June 2022 Unaudited RMB'000
Short term employee benefits	2,247	2,944
Equity-settled share award expense	–	23
Post-employee benefits	38	42
Total compensation paid to key management personnel	2,285	3,009

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair Values	
	30 June 2023 RMB'000 Unaudited	31 December 2022 RMB'000 Audited	30 June 2023 RMB'000 Unaudited	31 December 2022 RMB'000 Audited
Financial assets				
Financial assets at fair value through profit or loss	3,017	3,065	3,017	3,065



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023

	Quoted	Fair value measurement using		Total
	prices in	Significant	Significant	
	active markets	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets at fair value through profit or loss	3,017	-	-	3,017

As at 31 December 2022

	Quoted	Fair value measurement using		Total
	prices in	Significant	Significant	
	active markets	observable	unobservable	
	(Level 1)	inputs	inputs	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
Financial assets at fair value through profit or loss	3,065	-	-	3,065

22. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2023.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 August 2023.