



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



2024
INTERIM REPORT



PORSCHE



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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

AUDIT COMMITTEE

Dr. Han Qinchun (*Chairman*)

Mr. Song Tao

Dr. Liu Xiaofeng

NOMINATION COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Mr. Song Tao

Dr. Liu Xiaofeng

Dr. Han Qinchun

REMUNERATION COMMITTEE

Mr. Song Tao (*Chairman*)

Dr. Liu Xiaofeng

Dr. Han Qinchun

FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Ms. Chiu Man

Dr. Han Qinchun

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam

Ms. Chan Sze Ting

COMPANY SECRETARY

Ms. Chan Sze Ting (*FCG, HKFCG*)

HEADQUARTERS

Sunfonda Automobile Center

No. 1555 Ouya 1st Road

Beichen Avenue

Chanba Ecological District

Xi'an City, Shaanxi Province

PRC



CORPORATE INFORMATION

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
Certified Public Accountant
Registered Public Interest Entity Auditor
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 2024 to 30 June 2024 (the “**Period**”), Sunfonda Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**Sunfonda Group**”) have recorded:

- Revenue of RMB4,515.1 million, which was down by 14.3% from the same period in 2023, including:
 - Sales volume of new vehicles down by 5.5% to 14,079 units, and revenue from the sales of new vehicles down by 17.2% to RMB3,703.2 million;
 - Revenue from after-sales services down by 3.9% to RMB596.3 million; and
 - Revenue from the sales of used cars up by 20.2% to RMB215.7 million.
- Gross profit of RMB11.3 million, which was down by 95.8% from the same period in 2023.
- Gross profit margin was 0.2% (same period in 2023: 5.1%).
- Loss before tax for the Period was RMB96.3 million (same period in 2023: profit of RMB14.8 million).

Loss attributable to owners of the parent for the Period was RMB96.9 million (same period in 2023: profit of RMB8.2 million).

Basic and diluted loss per share attributable to ordinary equity holders of the parent amounted to RMB0.16 for the Period (same period in 2023: earnings of RMB0.01).

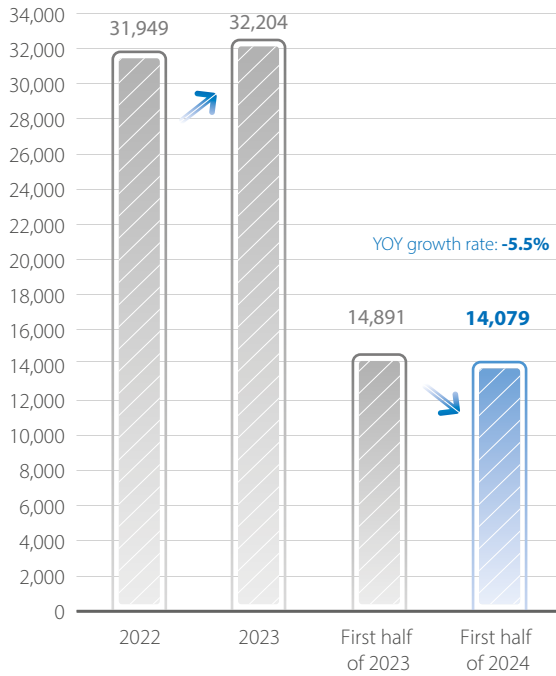


FINANCIAL HIGHLIGHTS

Sales volume of new vehicles

Units

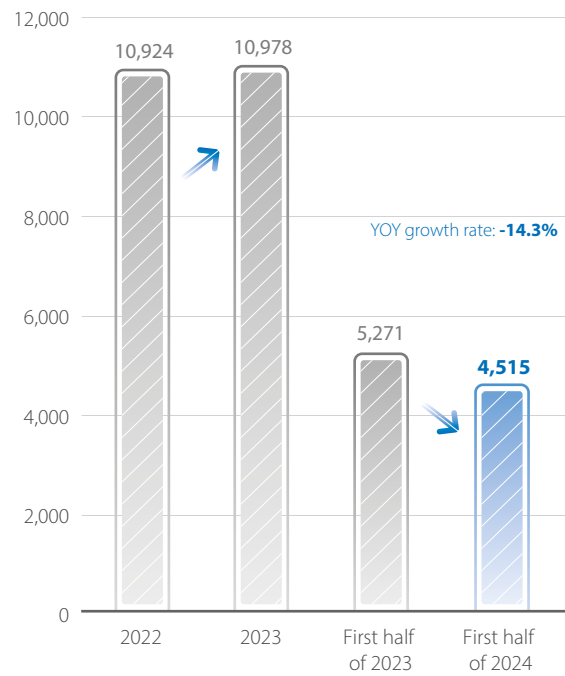
YOY growth rate: **0.8%**



Revenue

RMB in million

YOY growth rate: **0.5%**

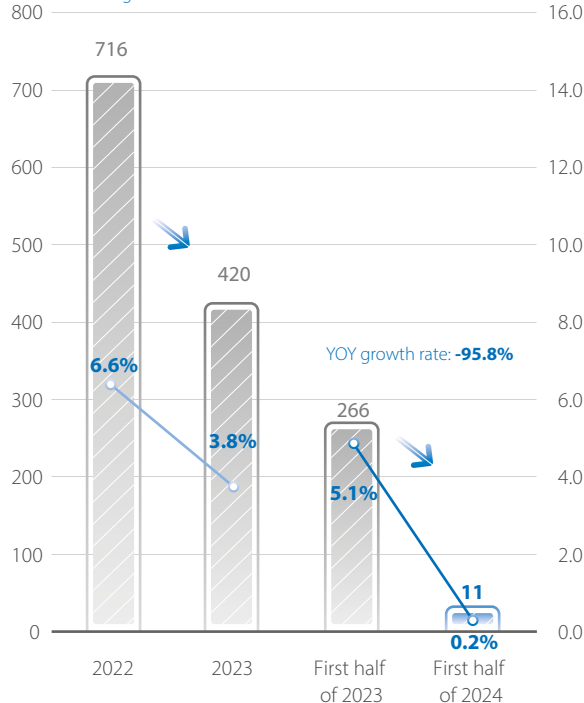


Gross profit and gross profit margin

RMB in million

Percentage

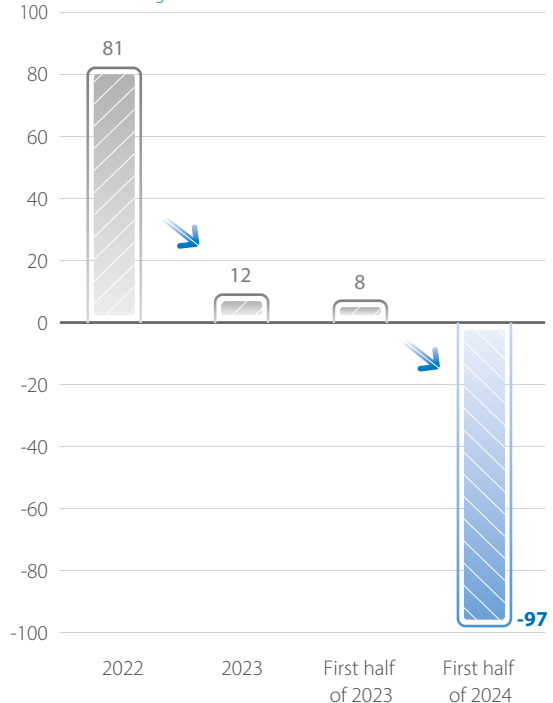
YOY growth rate: **-41.3%**



Equity attributable to owners of the parent

RMB in million

YOY growth rate: **-85.4%**



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



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The National Economy Was Generally Stable in the First Half of the Year, with Progress Being Made Amidst Stability

According to the data released by the National Bureau of Statistics, the gross domestic product (“GDP”) of China for the first half of the year amounted to RMB61,683.6 billion, representing a year-on-year increase of 5.0% at constant prices calculation. In the first half of the year, the total national value added of the industrial enterprises above the designated size recorded a year-on-year increase of 6.0%, and the total retail sales of consumer goods amounted to RMB23,596.9 billion, representing a year-on-year increase of 3.7%. National consumer price index (CPI) recorded a year-on-year increase of 0.1%. The national per capita disposable income was RMB20,733, representing a year-on-year nominal growth of 5.4%, or an actual growth of 5.3% if price factors were excluded. Overall, China’s economic performance in the first half of the year was generally stable, with steady progress in restructuring and upgrading. At the same time, it should be noted that the current external environment is complex and sophisticated, effective domestic demand remains insufficient, and the foundation for economic recovery still needs to be consolidated.

In the first half of 2024, the economy of Shaanxi Province, which is covered by the Group’s main business network, recorded a GDP of RMB1,625,747 million, representing a year-on-year increase of 4.3% at constant prices calculation. In the first half of the year, the value added of the industrial enterprises above the designated size in the province recorded a year-on-year increase of 7.3%. The output of automobiles recorded a year-on-year increase of 23.4%, of which new energy vehicles increased by 20.6% year-on-year. In the first half of the year, the total retail sales of social consumer goods in the province amounted to RMB556,677 million, representing a year-on-year increase of 4.6%. The retail sales of consumer goods of enterprises (entities) above designated size in the province recorded a year-on-year increase of 5.4%. There was strong consumer demand for automobiles, the sales of which recorded a year-on-year increase of 10.9%, among which new energy vehicles increased by 79.2% year-on-year.

Passenger Vehicle Market Performance in the First Half of 2024

In the first half of 2024, Chinese passenger vehicle market achieved a steady year-on-year growth in sales volume. According to the data released by the China Association of Automobile Manufacturers, in the first half of 2024, the production and sales volume of passenger vehicles was 11.886 million units and 11.979 million units, respectively, representing a year-on-year growth of 5.4% and 6.3%, respectively. According to the data released by the China Passenger Car Association (the “CPCA”), the cumulative retail sales volume of Chinese passenger vehicle market in the first half of the year was 9.841 million units, representing a year-on-year increase of 3.3%. Specifically, only SUV models achieved positive sales growth, while sales of sedan and MPV models declined to varying degrees. The cumulative retail sales volume of SUV models was 4.88 million units, up by 9.6% year-on-year; the cumulative retail sales volume of sedans was 4.482 million units, down by 1.6% year-on-year; and the cumulative retail sales volume of MPV models was 0.48 million units, down by 8.2% year-on-year.



MANAGEMENT DISCUSSION AND ANALYSIS

Against the backdrops of different taxes and rights for fuel and electric models, there is an increasingly evident gap between the high growth of new energy vehicles and the negative growth of fuel vehicles. With the introduction of the implementation details of the national trade-in policy and the continuation of the local new energy subsidy policy, new energy passenger vehicles continued to maintain a high growth trend. According to the data of the CPCA, the cumulative retail sales volume of new energy passenger vehicles in China from January to June 2024 was 4.111 million units, representing a year-on-year growth of 33.1%. According to Cui Dongshu, Secretary General of the CPCA, the increasingly large promotions in the first half of 2024 disrupted the normal price trend of the automobile market, the terminal price restoration will take a period of time, coupled with the overdraft effect of the super-strong promotional efforts in the second quarter of the year on the consumption of automobile purchasers in the second half of the year, the price-for-volume effect is likely to be weakened in July. Automobile enterprises will also optimise and adjust their market expectations, product structure and launch schedule in the light of the performance of the first half of the year, and may enter a period of strength building.

According to the statistics of the Ministry of Public Security, as of June 2024, China's motor vehicle ownership volume reached 440 million units, of which the car ownership volume was 345 million units; and the new energy vehicle ownership volume amounted to 24.72 million units, accounting for 7.18% of the total number of vehicles. Among them, the battery electric vehicle ownership volume amounted to 18.134 million units, accounting for 73.35% of the total number of new energy vehicles. As of the end of June, there are 96 cities with car ownership volume of more than 1 million units in China, representing a year-on-year increase of 8 cities. Specifically, there are 43 cities with a car ownership volume of more than 2 million units and 25 cities with more than 3 million units.

In the first half of 2024, the number of automobile transfer registrations continued its growth, with a total of 16.26 million automobile transfer registrations nationwide, representing a year-on-year increase of 53.79%. The used car trading market was active across the country, with 2.706 million transactions of used small passenger vehicles registered in different places. The reform measures of used car transactions and registration in different places had remarkable effects in facilitating the work of the public and enterprises and promoting the circulation of used cars.



MANAGEMENT DISCUSSION AND ANALYSIS

According to the sales data officially released by Mercedes-Benz, Mercedes-Benz delivered a total of more than 352,600 new automobiles to Chinese customers in the first half of 2024, and the delivery in the second quarter has increased by nearly 10% as compared with the previous quarter. Specifically, deliveries of the core luxury product matrix grew by nearly 6% in the first half of the year and by more than 15% in the second quarter as compared with the previous quarter. Looking ahead to the second half of the year, Mercedes-Benz will continue to push forward the electric transformation, with a number of heavyweight new energy products, including the new pure-electric G-Class crossover, the new long-wheelbase GLC plug-in hybrid SUV, the new-generation EQA and EQB pure-electric SUVs, and the latest facelift of the pure-electric EQE, set to be launched during the year. In addition, Mercedes-Benz is actively investing in local R&D and value chain deployment in response to the forward-looking needs of Chinese customers in terms of intelligence and digitalisation.

According to the sales data officially released by BMW Group, BMW delivered 1,096,500 vehicles in the first half of 2024, representing a year-on-year increase of 2.3%. Specifically, sales of electric vehicles reached 179,600 units, representing a year-on-year growth of 34.1%. BMW (including MINI) recorded a sales volume of 375,900 units in the Chinese market in the first half of the year, representing a year-on-year decrease of 4.2%; the electric vehicles and high-end models under BMW brand achieved double-digit growth, and BMW 7 series family posted a year-on-year global sales growth of 22%. In addition, BMW X1 and BMW 3 series also achieved strong growth in the world as compared with the same period last year.

Audi Group's financial report shows that in China, the Audi brand sold 320,400 vehicles in the first half of 2024, representing a year-on-year decrease of 1.9%. FAW Audi sold 244,900 vehicles, representing a year-on-year decrease of 14.75% as compared with 287,200 vehicles in the same period last year.

According to the data officially released by Porsche, global sales in the first half of 2024 were 155,945 units, representing a year-on-year decrease of 7%, of which 29,551 units were sold in the Chinese market, representing a decrease of 33% as compared with 43,832 units sold in the same period last year. At present, Porsche's five models, namely Cayenne, Panamera, Macan, Taycan and 911, are at the replacement stage, which will inevitably have an impact on the supply in some markets.

According to the data of the CPCA, the sales volume of Lexus in the first half of 2024 was 84,823 units, representing a year-on-year increase of 20.3%. Specifically, the sales volume of Lexus from January to May was 69,147 units, representing a year-on-year increase of approximately 28%. In June, the sales volume of Lexus was 15,674 units, representing a year-on-year decrease of 4.1%.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the Group proactively adjusted its operating strategies amidst rapid changes in the competitive landscape of the automobile market. By “grasping the rhythm and adjusting the structure” in the sales of new vehicles, continuously improving the derivative horizontal business, focusing on exploring the potential of the post-sale accident business, and “staying focus on existing customers and expanding the number of new customers” in used car business, the Group has been responding to market changes in a sound manner while developing a “customer ecosystem”.

In the first half of 2024, the Group realised revenue and gross profit of RMB4,515.1 million and RMB11.3 million, respectively.

As at 30 June 2024, the Group had a total of 40 sale points in operation:

| | Northwestern China | Jiangsu | Other regions | Total |
|--|-----------------------|---------|------------------|-------|
| Number of sale points | 29 | 6 | 5 | 40 |
| Of which: Number of sale points for luxury brands | 21 | 3 | 5 | 29 |

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

Under the impact of new energy brands in the first half of 2024, the Group paid close attention to the changes in the relevant policies of the national and local governments, and made timely adjustments to its corporate development strategies and operating strategies so as to adapt to the changes in the policy environment. Through the sales policy of “grasping the rhythm and adjusting the structure”, the Group achieved a sales volume of 14,079 new vehicles, representing a year-on-year decrease of 5.5 percentage points.

As a result of changes in the macroeconomic environment, the Group enhanced its operational efficiency and competitiveness through process optimisation and cost control. At the same time, the Group continued to promote prior order execution, launched intra-brand resource sharing program, and carried out early warning and assessment of inventory turnover so as to achieve maximised profit while accelerating turnover.



MANAGEMENT DISCUSSION AND ANALYSIS

In the 2024, fierce competition in the automobile consumer market led to a decline in end-transaction prices, which in turn affected the profitability of new automobile sales. In the face of the severe challenges in the market, the Group continued to focus on horizontal business contribution on the sales side. Through restructuring of the finance business and redevelopment of derivative business, the horizontal business contribution increased by 3.35 percentage points year-on-year, which, to a certain extent, alleviated the impact of the price cuts of new vehicles on the Company's profit.

The Group stepped up its marketing efforts to enhance brand awareness and reputation. The Group focused on internet lead maintenance, new media live streaming, Xiaohongshu and other online marketing channels to improve sales volume while expanding leads. Meanwhile, the Group continued to strengthen circle marketing and customer retention. Therefore, customer retention rate and the number of referrals significantly increased by taking measures such as the grant of referral benefits to existing customers and replacement subsidies by capitalising on its member centre.

Automobile Financing Agency Business

In the first half of 2024, income from the Group's automobile financing agency business increased by 66.5% year on year. The Group continued to strengthen its total-to-total co-operation with financial institutions and optimised its financial services and financial product structure to provide customers with diversified purchase options and more flexible payment methods, to promote the growth of new automobile sales business, and further acquire income from the whole value chain brought by financial business during the customer lifetime cycle.

Focused on Detail Management and Achieved Steady Growth in After-sales Fundamental Customers

As competition in the market intensified in 2024, the after-sales business has become a major profit contributor for dealership stores. Starting from customer experience, the Group has focused on customer needs and launched the sale of personalised appealing products at both the sales and after-sales ends to satisfy the needs of different customers, resulting in an increase in the penetration rate of appealing products to over 50%. Leveraging on its quality services, expertise and innovative business model, the Group achieved steady growth in after-sales fundamental customers, representing an increase of 6% as compared with the same period in 2023.



MANAGEMENT DISCUSSION AND ANALYSIS

The accidental maintenance market was affected by the repeated fee reforms by insurance companies, resulting in increasingly fierce competition and lower profitability for dealers. The Group focused on the insurance renewal business, leveraged on the insurance business management system for refined management and piloted the insurance renewal centre project in certain regions, which led to a year-on-year increase of 8.1% in the number of renewed policies and a year-on-year increase of 9% in premiums. This enabled the Group to maintain the initiative in co-operation with insurance companies. On the other hand, the Group leveraged on its strengths to acquire accident clues through multiple channels and closely monitored the conversion of the clues. In the first half of 2024, amidst the overall market downturn, the Group's accident revenue increased by 3% as compared with the same period in 2023.

In respect of electromechanical business, the Group continued to promote prior technical diagnosis to strengthen its professional expertise, increase the penetration rate of key spare parts, and continuously created a technology-leading brand image of Sunfonda. In addition, the Group launched service marketing competitions to enhance profit contribution.

In terms of staff efficiency, in 2024, by relying on the industrial zone-based layout, the Group established sheet metal spraying centres, warranty renewal centres and customer service centres in key cities, which achieved better pooling results and improved both staff efficiency and service quality.

The Group's revenue from after-sales services in the first half of 2024 was RMB596.3 million, down by 3.9% from RMB620.8 million for the same period in 2023. Gross profit of after-sales services was RMB230.6 million, representing a decrease of 7.3% as compared with RMB248.8 million for the same period in 2023.

As the decoration business is an important component of its horizontal business, the Group selected marketable products to meet the needs of different customers so as to enhance the competitiveness of this business segment. The Group enhanced the effectiveness of its technical staff in the construction process through the establishment of an industrial zone-based construction team. In addition, the Group strengthened the quality and frequency of training for the front-line team to enhance the professional competence of its refined business, and fully explored the potential of repeated recommendation for its decoration business, thereby enabling the Group to enhance the profit contribution of this segment while increasing the scale of its business.



MANAGEMENT DISCUSSION AND ANALYSIS

“Staying Focus on the Existing Customers and Expanding the Number of New Customers” in Used Car Business Will Serve as a New Growth Driver for Profit Contribution in the Future

In the first half of 2024, the price war in the new car market led to confusion in used car prices and slow turnover. The Group proactively responded to the market changes by adopting the business strategy of “staying focus on existing customers and expanding the number of new customers”, which resulted in the sustained growth of the used car business and the efficient and stable inventory turnover, and further consolidated the business pattern of dealership and retailing. In the first half of 2024, the Group’s used car sales volume through dealerships was 1,479 units, representing a year-on-year increase of 19.3% and realising a year-on-year increase of 0.2 percentage points in gross profit margin, and the number of inventory turnover days was controlled at 17.3 days. In the first half of 2024, the Group’s overall new to used car ratio was 25.7%, representing an increase of 3.7 percentage points from the same period in 2023.

In 2024, the Group will build a used car centre store model by establishing used car sales centres in three cities (namely Xi’an, Lanzhou and Yinchuan), with the construction of the used car sales centres in Xi’an and Lanzhou already completed. At the same time, the Group will further improve its used car sales and service system by launching services of 72-hour no-excuse returns and exchanges, in order to provide customers with a high-quality service experience. The Group’s diversified sales strategy and the quality assurance of its used car sources have increased the sales volume while driving the growth of extended businesses such as finance, insurance and extended warranty.

The Group continued to strengthen its core competence in used cars by improving its assessment, inspection, re-inspection, refurbishment, pricing and disposal capabilities, implementing standardised business controls, strictly controlling inventory turnover, and formulating refined inventory management and inventory levelling mechanisms for retail and wholesale vehicles respectively to ensure healthy inventory and operations, as well as continuing to promote the development of derivative businesses such as used car finance, decoration and extended warranty to enhance the profitability of used cars and realise the value chain cycle throughout the whole life cycle of customers’ vehicles. Through integration of advantageous resources and a marketing matrix that combines new media and vertical media, the Group strengthened the construction of private domains to promote its online transactions and maximise the profitability and efficient turnover of its used car sales.



MANAGEMENT DISCUSSION AND ANALYSIS

Adopted a Customer-centric Approach to Establish a “Customer Ecology”

The Group adheres to the philosophy that “customers are the carrier for enterprises to achieve sustainable development, and customer satisfaction is the basis of customer management”. The Group integrated customer resources through its customer operation platform to enhance customer loyalty and increase profit margins.

In the first half of 2014, the Group integrated customer resources through its digital management platform, analysed business touchpoints around customers’ vehicle usage cycles, obtained multi-dimensional customer profiles and life touchpoints, and implemented multi-channels such as new media, Enterprise WeChat and WeChat mini programs to realise business opportunity attraction, customer experience and sales conversion. As a result, the Group continuously improved its customer acquisition, retention and revenue, growing in both scale and strength.

The Group’s customer management centre will continue to build a centralised operation model in cities including Xi’an, Lanzhou and Yinchuan, making full use of its customer operation platform to enhance customer care, explore customer needs in depth and promote the upgrading of customer service while achieving business growth, aiming at ultimately building a sustainable customer ecosystem.

Strengthened Multi-model Cooperation with New Energy Brands and Continued to Optimise and Adjust Brand Networking

The Group attaches great importance to the changes in the market share of new energy vehicles and the competitiveness of new energy brands, and has been actively cooperating with key new energy brands. The traditional brand network is actively introducing new energy brand business in accordance with the business capacity of stores. The Group introduced authorised business of new energy brands in the existing store premises in Weinan City and Yan’an City, respectively, aiming to supplement the business saturation of the existing stores and improve the efficiency of resources utilisation while accumulating experience in the new energy automobile business.

During the same period, the Group proactively co-ordinated with the manufacturers through proactive communication with the brands to face difficulties and solve problems together. At the same time, in order to adapt to the long-term changes in the market, we continued to optimise and adjust the Group’s brands and closed down some of the brand stores with poor performance to ensure the overall health of the Group’s operations. For some of the brand stores under construction, we postponed the construction of projects in accordance with the brand’s overall construction postponement plan, so as to allow for a better market observation period. Meanwhile, in respect of new energy brands, the Group has obtained the brand authorisation by Anhui Volkswagen in respect of Volkswagen’s new electric vehicles in Xi’an. The construction of the store was completed in the second quarter of 2024 and the store was officially opened in July, which will enrich the Group’s electric vehicle brands after its opening.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the Period was RMB4,515.1 million, representing a decrease of RMB756.1 million or 14.3% as compared to that for the corresponding period in 2023. Among which, revenue from the sales of new automobiles was RMB3,703.2 million, representing a decrease of RMB767.8 million or 17.2% as compared to that for the corresponding period in 2023; revenue from after-sales service business was RMB596.3 million, representing a decrease of RMB24.5 million or 3.9% as compared to that for the corresponding period in 2023; and revenue from the sales of used cars was RMB215.7 million, representing an increase of RMB36.3 million or 20.2% as compared to that for the corresponding period in 2023.

A substantial portion of the revenue of the Group was generated from sales of new vehicles, accounting for 82.0% of our revenue for the Period (corresponding period in 2023: 84.8%). Besides, revenue generated from after-sales service business accounted for 13.2% of the revenue for the Period (corresponding period in 2023: 11.8%), and revenue generated from used car sales accounted for 4.8% of the revenue for the Period (corresponding period in 2023: 3.4%). 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 reporting periods:

| | For the six months ended 30 June/unaudited | | | | | |
|---|--|---------------------------|---------------------------------------|---------------------|---------------------------|---------------------------------------|
| | 2024 | 2023 | | | | |
| | 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 | 3,061,961 | 9,647 | 317.4 | 3,721,436 | 10,243 | 363.3 |
| Mid-end market brands | 641,241 | 4,432 | 144.7 | 749,563 | 4,648 | 161.3 |
| Sub-total/Average | 3,703,202 | 14,079 | 263.0 | 4,470,999 | 14,891 | 300.2 |
| Sales of used cars through dealerships | 215,677 | 1,479 | 145.8 | 179,377 | 1,240 | 144.7 |
| After-sales services | 596,263 | | | 620,807 | | |
| Total | 4,515,142 | | | 5,271,183 | | |



MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales and Services

Cost of sales and services for the Period was RMB4,503.9 million, representing a decrease of RMB501.1 million or 10.0% as compared to that for the corresponding period in 2023. Among which, cost of sales of new automobiles was RMB3,932.9 million, representing a decrease of RMB529.0 million or 11.9% as compared to that for the corresponding period in 2023. Cost of after-sales business was RMB365.7 million, representing a decrease of RMB6.3 million or 1.7% as compared to that for the corresponding period in 2023. Cost of sales of used cars was RMB205.3 million, representing an increase of RMB34.2 million or 20.0% as compared to that for the corresponding period in 2023.

Gross Profit

Gross profit for the Period was RMB11.3 million, representing a decrease of RMB254.9 million or 95.8% as compared to that for the corresponding period in 2023. Of which, sales of new automobiles recorded gross loss of RMB229.7 million, while a gross profit of RMB9.1 million was recorded for the corresponding period in 2023. Gross profit of after-sales service business was RMB230.6 million, representing a decrease of RMB18.2 million or 7.3% as compared to that for the corresponding period in 2023. Gross profit of used car business was RMB10.4 million, representing an increase of RMB2.1 million or 25.3% as compared to that for the corresponding period in 2023. The decrease in gross profit for the Period as compared to that for the corresponding period in 2023 was mainly due to the decrease in profitability of sales of new automobiles as compared to that for the corresponding period in 2023 affected by certain factors such as the macroeconomic environment and the intensified competition in the automobile industry.

Gross profit margin for the Period was 0.2% (corresponding period in 2023: 5.1%).

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 gain on disposal of property, plant and equipment, and interest income.

Other income and gains, net for the Period was RMB297.2 million, representing an increase of 41.3% as compared with RMB210.4 million for the corresponding period in 2023. The increase was mainly due to the significant increase in commission income from automobile financing agency business as a result of the Group's focus on horizontal gross profit contribution and the negotiation of commission rates with automobile financing companies on a number of occasions.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses for the Period amounted to RMB234.6 million, representing a decrease of RMB37.4 million or 13.8% as compared with RMB272.0 million for the corresponding period in 2023. Such decrease was mainly attributable to the decrease in remuneration of sales and distribution employees due to the adjustment of staffing and remuneration packages, as well as the decrease in advertising expenses due to the application of new media marketing. As a percentage of revenue, the selling and distribution expenses were unchanged from the same period of the previous year, both at 5.2%.

Administrative Expenses

Administrative expenses for the Period amounted to RMB120.9 million, representing a decrease of RMB17.1 million or 12.4% as compared with RMB138.0 million for the corresponding period in 2023. Such decrease was mainly due to a reduction in staffing under the centralised management of operations and a reduction in remuneration of administrative employees as a result of the adjustment of remuneration packages. As a percentage of revenue, the administrative expenses increased from 2.6% for the corresponding period in 2023 to 2.7% for the Period, up by 0.1 percentage points.

Finance Costs

Finance costs for the Period amounted to RMB49.2 million, representing a decrease of RMB2.5 million or 4.8% as compared with RMB51.7 million for the corresponding period in 2023. Such decrease was mainly due to the reasonable control of the scale of inventory procurement, and the improvement of the efficiency of capital use, thereby reducing the financing scale.

Loss Before Tax

As a result of the foregoing, loss before tax for the Period amounted to RMB96.3 million, representing a decrease of RMB111.1 million as compared with the profit before tax of RMB14.8 million for the corresponding period in 2023.

Income Tax Expense

Income tax expense for the Period amounted to RMB0.6 million, representing a decrease of RMB6.0 million as compared with RMB6.6 million for the corresponding period in 2023.



MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Period

As a result of the foregoing, loss for the Period amounted to RMB96.9 million, representing a decrease of RMB105.1 million as compared with the profit for the period of RMB8.2 million for the corresponding period in 2023.

Loss for the Period Attributable to Owners of the Parent

For the Period, loss for the period attributable to owners of the parent was RMB96.9 million, representing a decrease of RMB105.1 million as compared with the profit for the period attributable to owners of the parent of RMB8.2 million for the corresponding period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

For the Period, the Group's net cash inflow generated from operating activities was RMB270.5 million, as compared with its net cash inflow generated from operating activities of RMB348.3 million for the six months ended 30 June 2023. The decrease in net cash inflow from operating activities was mainly due to the decrease in gross profit of the new vehicle business resulting from the fierce competition in the automobile market.

For the Period, the Group's net cash outflow of investing activities was RMB18.4 million, as compared with its net cash outflow of investing activities of RMB150.2 million for the six months ended 30 June 2023. The decrease in net cash outflow of investing activities was mainly due to lower expenditures towards the end of project construction.

For the Period, the Group's net cash outflow of financing activities was RMB343.9 million, as compared with its net cash outflow of financing activities of RMB246.5 million for the six months ended 30 June 2023. The increase in net cash outflow of financing activities was mainly attributable to the decrease in financing scale resulting in an increase in expenditures on loan repayment.

Net Current Assets

As at 30 June 2024, the Group's net current assets amounted to RMB609.9 million, as compared with its net current assets of RMB616.9 million as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

The Group's inventories primarily consist of new automobiles, used cars, spare parts and decoration accessories. As at 30 June 2024, the Group's inventories amounted to RMB1,121.7 million, representing a decrease of 12.2% as compared with RMB1,277.5 million as at 31 December 2023, which was mainly attributable to the Group's emphasis on inventory management and reasonable control of the scale of inventory procurement.

In the first half of 2024, 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 year and multiplied by 180 days) were 49.2 days, representing a slight increase as compared with 45.6 days in 2023, which was mainly attributable to the slight decrease in sales volume for the Period.

Bank Loans and Other Borrowings

As at 30 June 2024, the Group's bank loans and other borrowings were RMB2,240.7 million, representing a decrease of 11.1% as compared with RMB2,521.1 million as at 31 December 2023.

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

| | 30 June 2024 Unaudited | | 31 December 2023 Audited | |
|---------------------|-----------------------------------|-------------------|-----------------------------------|-------------------|
| | Effective interest rate (%) | Amount RMB'000 | Effective interest rate (%) | Amount RMB'000 |
| CURRENT | | | | |
| Bank loans | 2.9-5.8 | 1,009,693 | 2.9-5.8 | 1,464,660 |
| Bank loans | 3.5-5.8 | 149,104 | – | – |
| Other borrowings | 1.3-8.5 | 344,688 | 1.3-8.5 | 347,040 |
| Sub-total | | 1,503,485 | | 1,811,700 |
| NON-CURRENT | | | | |
| Bank loans | 3.5-5.8 | 737,209 | 3.5-5.8 | 709,402 |
| Sub-total | | 737,209 | | 709,402 |
| Total | | 2,240,694 | | 2,521,102 |
| Among which: | | | | |
| Secured loans | | 1,695,077 | | 1,818,526 |
| Unsecured loans | | 545,617 | | 702,576 |
| Total | | 2,240,694 | | 2,521,102 |



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the Group's gearing ratio, which is net debt divided by total equity plus net debt, was 48.2% (31 December 2023: 49.2%). 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.

Pledge of Assets

As at 30 June 2024, 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 2024 consisted of: (i) inventories amounting to RMB493.4 million; (ii) property, plant and equipment amounting to RMB359.1 million; (iii) land use rights amounting to RMB285.2 million; (iv) construction in progress amounting to RMB440.3 million; and (v) pledged bank deposits amounting to US\$3.7 million (equivalent to RMB26.4 million) and RMB93.4 million.

As at 30 June 2024, certain of the Group's inventories amounting to RMB245.4 million and pledged bank deposits amounting to RMB327.2 million were pledged as securities for bills payable.

Capital Expenditures and Investment

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 RMB77.6 million, representing a decrease of RMB121.5 million as compared with RMB199.1 million for the corresponding period in 2023.

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 2024, the Group did not have any material contingent liabilities or guarantees.



MANAGEMENT DISCUSSION AND ANALYSIS

Staff Cost and Employee Remuneration Policy

As at 30 June 2024, the Group had 2,803 employees (as at 31 December 2023: 3,156 employees). Staff cost of the Group decreased by 14.2% from RMB202.1 million for the corresponding period in 2023 to RMB173.4 million for the Period, mainly due to the Group's active adjustment of staffing and performance plans resulting in the improvement of human resource efficiency. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

FUTURE STRATEGY AND PROSPECTS

National Economy Builds up Strength and Moves Forward, and the Group's Headquarters in Xi'an Accelerates the Construction of "Dual Centres"

China's economy was generally stable in the first half of the year, with steady progress in restructuring and upgrading, accumulating favourable factors for the accomplishment of full-year development targets. The annual real GDP growth rate is expected to reach 5.2%, exceeding the annual economic growth target of approximately 5%. In terms of the pace, it is expected that the real GDP growth rate in the second half of the year will not fluctuate significantly, and the nominal GDP growth rate will recover slowly with the pick-up in inflation readings. According to Wen Bin, chief economist at China Minsheng Bank, looking ahead to the second half of the year, China will continue to enhance its policy, expand its domestic demand, strengthen its fundamentals and nurture its growth, thereby providing support for China's economy to continuously rebound and improve. Prices will continue to rebound moderately, and the CPI and the Industrial Producer Price Index (PPI) may rise above 1% and 0% year-on-year in a single month. The GDP deflator and nominal GDP will continue to rebound year-on-year, helping to enhance the sense of satisfaction of residents and enterprises, and bridging the gap between macro data and micro sentiments.

At the Sixth Plenary Meeting of the 14th Xi'an Municipal Committee of the Communist Party of China, it was proposed that Xi'an should accelerate the construction of the "dual centres" in Xi'an to achieve a new breakthrough in shaping the momentum, to make the construction of the "dual centres" in Xi'an the basis of its foundation, and to comprehensively strengthen the leading role of the Qinchuang Innovation Platform, strengthen the construction of national strategic science and technology force, promote enterprises to become the real innovation main body, and accelerate the industrialisation of Hard & Core Technology. On 22 July, Zhao Yide, Secretary of the Shaanxi Provincial Party Committee and Director of the Provincial Science and Technology Committee, stressed at the Provincial Science and Technology Committee the importance of constructing a comprehensive innovation system and mechanism to accelerate the shaping of new energy and new advantages for high-quality development.



MANAGEMENT DISCUSSION AND ANALYSIS

Chinese Passenger Vehicle Market in 2024

Looking ahead to the second half of the year, according to a research report released by CITIC Securities, the market is generally concerned about the recent “policy retreat” and trade protection practices of “building high walls at small yards” for new energy vehicles in western countries. However, CITIC Securities is still optimistic about the outlook for the annual sales of new energy vehicles, especially the trade-in policy launched at the end of April, which is expected to significantly boost annual sales. According to the analysis of the China Association of Automobile Manufacturers (“CAAM”), passenger vehicle sales will continue to grow month-on-month in June 2024 thanks to the trade-in policy, sales promotion by automobile enterprises and factors such as the mid-year sprints. Meanwhile, the development of the passenger vehicle market is also facing a number of challenges, such as the uncertainty of the global economic situation, supply chain issues and changes in policies and regulations. In addition, factors such as changes in consumer demand and intensified market competition may also have an impact on the passenger vehicle market.

Overall, the passenger vehicle market is expected to maintain growth in the second half of 2024, but competition will become more intense. Automobile manufacturers will need to continue to innovate and enhance their product power to meet consumer demand. At the same time, the government will need to introduce relevant policies to promote the healthy development of the passenger vehicle market.

To Promote the Optimisation of Brand Networking to Lay a Foundation for Business Stability

In respect of the development of branded outlets, in the face of the severe “rat race” of the automobile market and the market environment of frequent “price wars” under fierce competition, the Group has been keeping a close watch on the policy changes, proactively adjusting its business strategies, promoting business transformation and upgrading, and optimising the branded outlet network. The Group carried out asset restructuring and transfers of certain stores in non-advantageous areas in order to focus on its strengths in advantageous areas. On 20 July 2024, certain subsidiaries within the Group entered into share disposal agreements with Zhongsheng Holdings Co., Ltd. to dispose of in aggregate the entire equity interests in three branded companies within the Group located in Yangzhou, Wuxi and Suzhou, Jiangsu Province, respectively. In an environment of intensified competition in the automobile market, the Group has taken multiple measures to maintain sufficient cash flow to cope with various market changes.

Since 2024, the Group has continued to focus on the changes in the development of new energy brands in selected cities, utilised the Group’s brand optimisation and adjusted property resources, and communicated and co-operated with automobile brand manufacturers with outstanding performance to increase the number of sales points of new energy brands, so as to adapt to changes in the market and improve the brand structure. In August 2024, the Group obtained the authorisation for 2 Formula Leopard 4S stores in Xi’an, 1 DENZA centre store in Lanzhou and 1 DENZA centre store in Yinchuan.



MANAGEMENT DISCUSSION AND ANALYSIS

The automobile market landscape has undergone drastic changes under the intensely competitive market environment. Looking ahead to the second half of the year, the continued implementation of favourable policies, including the national and regional trade-in policy and the launch of new energy vehicles in the countryside, as well as the intensive listing of new car models by automobile manufacturers, will help to further unleash the consumption potential of the automobile market, and provide a boost to the annual sales growth of automobile manufacturers and dealers. Meanwhile, with the deepening of domestic reforms after the Third Plenary Session of the 20th Central Committee of the CPC, consumer confidence is expected to be further restored. In the future, the Group will continue to effectively operate its existing brands, and at the same time actively expand the share of its new energy brands through various channels, so as to realise brand restructuring and upgrading, and to adapt to the changes and competition in the market.

Of the two “FUN TIME LANE” automobile fashion street zone projects in Xi’an and Lanzhou, which were invested by Sunfonda Group, the “FUN TIME LANE” project in Lanzhou is undergoing the formalities related to government acceptance and filing. Most of the construction of the “FUN TIME LANE” project in Xi’an has been completed, while a small amount of remaining works are proceeding, and other relevant formalities are in progress.

Intelligent Services Lead Online Operations, Further Deepening Customer Connectivity

In the first half of 2024, the Group’s private traffic user pool expanded significantly, with the number of registered users in the member centre significantly increasing to 338,000. The enterprise WeChat platform has become a powerful bridge to connect users, with the cumulative number of added users reaching 354,000, of which 260,000 users were successfully and accurately linked to the vehicle registration number business database through in-depth data integration, thereby further enhancing the personalisation and accuracy of user services. Meanwhile, the customer management system has been continuously optimised and upgraded, thus realising all-round and refined solicitation and management of retained customers, and effectively enhancing customer satisfaction and loyalty. The automation level of the after-sales visit system has reached a new level, with all after-sales work orders being able to be scheduled and accurately tracked for visits, so as to ensure the enhancement of both service quality and customer experience. The intelligent accident clue reporting system continued to play a powerful role, collecting more than 2,033 pieces of information on road accidents in Xi’an and the surrounding areas during the first half of the year, which injected strong momentum into the after-sales accident business of the stores. The continuous optimisation of the lead management tools and the online coupons that are actively claimed by customers through innovative strategies have achieved a double leap in customer engagement and conversion rates.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of customer service and marketing, the Group introduced an AI-based intelligent customer service system and pilot work on a precision marketing platform. The intelligent customer service system can automatically identify customer issues and provide solutions, thus improving the efficiency and satisfaction of customer service. The precision marketing platform analyses customer behavioural data using AI algorithms, and screens high-intention customers to provide high-quality sales clues to the sales department, thus improving the efficiency of manpower and reducing labour costs of the sales department.

Through this series of initiatives, the Group will continue to broaden its service boundaries and deepen its connection with customers, thereby leading a new trend of online operation with intelligent services and laying a solid foundation for its sustainable and healthy development.

To Enhance Brand Popularity and Influence in a Comprehensive Manner by Adopting Customer-Centric Principle and Diversified Marketing Layout

With the profound changes in the automobile industry, the constantly fragmented media environment, the structure of young consumers and their unique preferences and behaviours towards automobile consumption are reshaping the future of the automobile industry. The Group has made full use of the dividends of the new media era and, with a result-oriented approach, has continued to optimise the content of live streaming and short videos, as well as to enhance the interactivity and professionalism of the new media. For example, in 2024, by drawing upon its membership centre, the Group recruited popular female vehicle owners to participate in its interview projects, with a view to effectively breaking the circle and establishing a close link with consumers through precise exposure through the dissemination of short videos. As at the end of June, the Group's new media orders recorded a year-on-year increase of 66%, effectively opening up channels. While the Group comprehensively promoted the creation of new media matrices at each brand store, including Douyin, Xiaohongshu and WeChat Video Channel, the Group encouraged its employees to actively participate in self-media operation and marketing to create their own personal IPs and to enhance the competitiveness of its brands in the market.

On the other hand, the Group has taken various measures to integrate customer profiles and deeply explore customer needs, and has enhanced customer service experience through a variety of marketing activities such as circle activities, regular customer retention and cross-brand alliances to enhance both popularity and reputation of its brand.

EQUITY INTEREST

As at 30 June 2024, 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 2024, 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 | 434,183,000 (L) | 72.36% |
| | | 2 | 10,000,000 (S) | 1.67% |
| Ms. Chiu Man | Interest held by controlled corporations | 1 | 434,183,000 (L) | 72.36% |
| | | 2 | 10,000,000 (S) | 1.67% |
| Mr. Deng Ning | Beneficial owner | | 1,071,000 (L) | 0.18% |
| Ms. Chen Wei | Beneficial owner | | 864,000 (L) | 0.14% |

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) These shares are all held by Top Wheel Limited ("**Top Wheel**").

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.

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

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 30 June 2024.

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 2024.

Save as disclosed above, as at 30 June 2024, 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 2024, 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) 10,000,000 (S) | 72.36% 1.67% |
| Win Force Enterprises Limited | Interest held by a controlled corporation | 1 | 434,183,000 (L) 10,000,000 (S) | 72.36% 1.67% |
| Golden Speed Enterprises Limited | Interest held by a controlled corporation | 1 | 434,183,000 (L) 10,000,000 (S) | 72.36% 1.67% |
| RAYS Capital Partners Limited | Investment manager | 2 | 34,789,000 (L) | 5.79% |
| RUAN David Ching Chi | Interest held by a controlled corporation | 2 | 34,789,000 (L) | 5.79% |
| Asian Equity Special Opportunities Portfolio Master Fund Limited | Beneficial owner | 2 | 34,789,000 (L) | 5.79% |

(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 34,789,000 shares (of which 10,000,000 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 2024.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, 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. The Share Option Scheme expired on 17 January 2024, and the Company has no intention to re-adopt a new share option scheme at this stage. No options have been granted under the Share Option Scheme since its adoption.

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme was adopted by the Company on 8 January 2014 for the 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 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. The Pre-IPO Share Award Scheme expired on 7 January 2024, and the Company has no intention to re-adopt a new share award scheme at this stage. 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. Any awarded shares granted pursuant to the Pre-IPO Share Award Scheme shall be subject to a vesting period of five years commencing from the date of award during which the awarded shares will vest on specified dates commencing on the first anniversary date of the date of award and thereafter on each anniversary date, upon which awarded shares in equal portions (being 20% of the total awarded shares) shall vest. The Board shall be at liberty to waive such vesting date at its discretion. As of expiry date of the Share Award Scheme, all of the 9,000,000 Shares of the Company available to grant under the Pre-IPO Share Award Scheme 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 17 to the Financial Statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Details of awarded shares granted and not vested under the Pre-IPO Share Award Scheme as at 30 June 2024:

| Grantees of awarded shares ⁽¹⁾ | Capacity in the Group | Number of outstanding awarded shares as at 1 January 2024 | Granted during the Period | Date 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 outstanding awarded shares as at 30 June 2024 |
|--|-----------------------|---|---------------------------|-----------------|----------------|---|--------------------------|---|-----------------------------|--------------------------|---|
| | | | | | | | | | | | |
| Directors of the Company* | | | | | | | | | | | |
| Mr. Deng Ning | Executive Director | 1,000,000 | - | 16 October 2023 | N/A | Vested immediately after passing the 2023 Key Performance Indicator ("KPI") assessment ⁽¹⁾ | 1,000,000 | HK\$0.63 | - | - | - |
| Ms. Chen Wei | Executive Director | 700,000 | - | 16 October 2023 | N/A | Vested immediately after passing the 2023 KPI assessment ⁽¹⁾ | 700,000 | HK\$0.63 | - | - | - |
| | Sub-total | 1,700,000 | - | | | | 1,700,000 | | - | - | - |
| Total of 1 non-director and non-chief executive officer of the five highest paid individuals in 2024 | | 1,009,600 | - | 16 October 2023 | N/A | Vested immediately after passing the 2023 KPI assessment ⁽¹⁾ | 1,009,600 | HK\$0.63 | - | - | - |
| | Sub-total | 1,009,600 | - | | | | 1,009,600 | | - | - | - |
| 2 employees of the Company | | 1,100,000 | - | 16 October 2023 | N/A | Vested immediately after passing the 2023 KPI assessment ⁽¹⁾ | 1,100,000 | HK\$0.63 | - | - | - |
| | Sub-total | 1,100,000 | - | | | | 1,100,000 | | - | - | - |
| | Total | 3,809,600 | - | | | | 3,809,600 | | - | - | - |

Note:

- (1) The 2023 KPI assessment was completed on 31 May 2024 and all awardees who were granted the awarded shares on 16 October 2023 have passed the assessment.

From 31 December 2023 to the expiry date of the Pre-IPO Share Award Scheme (i.e. 7 January 2024), no awarded shares were granted under the Pre-IPO Share Award Scheme. As at the expiry date of the Pre-IPO Share Award Scheme (i.e. 7 January 2024), there were no awarded shares available for grant under the Pre-IPO Share Award Scheme.



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 2024 (six months ended 30 June 2023: nil).

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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company regularly reviews its corporate governance practice to ensure compliance with the CG Code. The Board is of the view that, during the six months ended 30 June 2024, 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 2023 annual report, the changes in Directors' information are set out as follows:

Dr. Liu Xiaofeng, an independent non-executive Director of the Company, retired as an independent non-executive director of Cinda International Holdings Limited (信達國際控股有限公司) (stock code: 111) since 27 July 2024.

Save as disclosed above, since the publication of the Company's 2023 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 Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares (the **"Treasury Shares"**) within the meaning under the Listing Rules). As at 30 June 2024, the Company did not hold any Treasury Shares.

MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2024, 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.

EVENT AFTER THE PERIOD

On 20 July 2024, certain indirect wholly-owned subsidiaries of the Company entered into share disposal agreements with Zhongsheng Holdings Co., Ltd. (中升(大連)集團有限公司) (an indirect wholly-owned subsidiary of Zhongsheng Group Holdings Limited (Stock Code: 0881)) to dispose of in aggregate the entire equity interests (the **"Disposal"**) in Suzhou Sunfonda Toyota Automobile Sales Services Co., Ltd.* (蘇州新豐泰豐田汽車銷售服務有限公司), Wuxi Fengtai Kaida Automobile Sales Services Co., Ltd.* (無錫豐泰凱達汽車銷售服務有限公司) and Yangzhou Sunfonda Junsheng Lexus Automobile Sales Services Co., Ltd.* (揚州新豐泰鈞盛雷克薩斯汽車銷售服務有限公司) (the **"Target Subsidiaries"**) (each being an indirect wholly-owned subsidiary of the Company prior to the Disposal), respectively. Upon the completion of the Disposal, the Company will cease to own any equity interests in the Target Subsidiaries. For further details, please refer to the announcement of the Company dated 20 July 2024.

Save as disclosed above, there was no significant subsequent event undertaken by the Group after 30 June 2024 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 2024 interim report and the announcement of interim results and unaudited condensed consolidated financial statements for the six months ended 30 June 2024.



CORPORATE GOVERNANCE AND OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 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 2024.

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 2024.

Chairman of the Board

Wu Tak Lam

29 August 2024



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

| | Notes | For the six months ended 30 June 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|--|-------|---|---|
| Revenue | 4(a) | 4,515,142 | 5,271,183 |
| Cost of sales and services | 5(b) | (4,503,891) | (5,004,984) |
| Gross profit | | 11,251 | 266,199 |
| Other income and gains, net | 4(b) | 297,150 | 210,350 |
| Selling and distribution expenses | | (234,583) | (272,039) |
| Administrative expenses | | (120,919) | (137,985) |
| (Loss)/profit from operations | | (47,101) | 66,525 |
| Finance costs | 6 | (49,206) | (51,738) |
| (Loss)/profit before tax | 5 | (96,307) | 14,787 |
| Income tax expense | 7 | (559) | (6,580) |
| (Loss)/profit for the period | | (96,866) | 8,207 |
| Attributable to: | | | |
| Owners of the parent | | (96,866) | 8,207 |
| (Loss)/earnings per share attributable to ordinary equity holders of the parent | 9 | | |
| Basic and diluted (RMB) | | (0.16) | 0.01 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

| | For the six months ended 30 June 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|---|---|---|
| (LOSS)/PROFIT FOR THE PERIOD | (96,866) | 8,207 |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | 802 | 1,277 |
| Total comprehensive income for the period, net of tax | (96,064) | 9,484 |
| Attributable to: | | |
| Owners of the parent | (96,064) | 9,484 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2024

| | Notes | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,794,609 | 1,847,499 |
| Right-of-use assets | | 656,524 | 693,722 |
| Intangible assets | | 10,013 | 10,449 |
| Prepayments | | 23,448 | 22,237 |
| Goodwill | | 10,284 | 10,284 |
| Deferred tax assets | | 71,666 | 63,976 |
| Total non-current assets | | 2,566,544 | 2,648,167 |
| CURRENT ASSETS | | | |
| Inventories | 10 | 1,121,745 | 1,277,491 |
| Trade receivables | 11 | 34,336 | 37,307 |
| Prepayments, other receivables and other assets | 12 | 966,641 | 1,016,344 |
| Financial assets at fair value through profit or loss | | 2,681 | 2,665 |
| Pledged bank deposits | | 475,724 | 579,065 |
| Cash in transit | | 20,960 | 14,917 |
| Short-term deposits | | 110,840 | 93,280 |
| Cash and cash at banks | | 549,779 | 653,932 |
| Total current assets | | 3,282,706 | 3,675,001 |
| CURRENT LIABILITIES | | | |
| Bank loans and other borrowings | 13 | 1,503,485 | 1,811,700 |
| Trade and bills payables | 14 | 831,218 | 823,280 |
| Other payables and accruals | | 311,278 | 380,676 |
| Lease liabilities | | 7,689 | 16,780 |
| Income tax payable | | 19,170 | 25,642 |
| Total current liabilities | | 2,672,840 | 3,058,078 |
| NET CURRENT ASSETS | | 609,866 | 616,923 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 3,176,410 | 3,265,090 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2024

| | Notes | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|--|-------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Bank loans and other borrowings | 13 | 737,209 | 709,402 |
| Lease liabilities | | 20,733 | 71,854 |
| Deferred tax liabilities | | 48,505 | 20,986 |
| Total non-current liabilities | | 806,447 | 802,242 |
| NET ASSETS | | | |
| 2,369,963 | | | |
| NET ASSETS | | | |
| 2,369,963 | | | |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 15 | 377 | 377 |
| Reserves | 17 | 2,369,586 | 2,462,471 |
| Total equity | | 2,369,963 | 2,462,848 |

Director
Wu Tak Lam

Director
Chiu Man



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

| | Attributable to owners of the parent | | | | | | | | Total equity RMB'000 |
|---|--------------------------------------|--------------------------|----------------------------|------------------------------|---------------------------|--------------------------------|---|-----------------------------|-------------------------|
| | 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 | |
| As at 1 January 2024 (audited) | 377 | 87,282 | 118,045 | 188,530 | 157,947 | 11,418 | 40,392 | 1,858,857 | 2,462,848 |
| Loss for the period | - | - | - | - | - | - | - | (96,866) | (96,866) |
| Other comprehensive income for the period: | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | 802 | - | 802 |
| Total comprehensive income for the period | - | - | - | - | - | - | 802 | (96,866) | (96,064) |
| Equity-settled share award expense (note 16) | - | - | - | - | - | 3,179 | - | - | 3,179 |
| As at 30 June 2024 (unaudited) | 377 | 87,282 | 118,045 | 188,530 | 157,947 | 14,597 | 41,194 | 1,761,991 | 2,369,963 |

| | Attributable to owners of the parent | | | | | | | | Total equity RMB'000 |
|---|--------------------------------------|--------------------------|----------------------------|------------------------------|---------------------------|--------------------------------|---|-----------------------------|-------------------------|
| | 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 | |
| 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 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

| | Notes | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
|--|-------|--------------------------------|--------------------------------|
| Operating activities | | | |
| (Loss)/profit before tax | | (96,307) | 14,787 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 5(c) | 84,669 | 82,297 |
| Depreciation of right-of-use assets | 5(c) | 13,672 | 24,278 |
| Amortisation of intangible assets | 5(c) | 436 | 403 |
| Interest income | 4(b) | (4,673) | (4,713) |
| Net gain on disposal of items of property, plant and equipment | 4(b) | (5,669) | (10,641) |
| Net (gain)/loss on disposal of right-of-use assets | 4(b) | (5,843) | 878 |
| Equity-settled share award expense | 5(a) | 3,179 | 10 |
| Fair value (gains)/losses, net: | | | |
| Financial products | 4(b) | (16) | 48 |
| Accrual of impairment of inventories | | 1,668 | 917 |
| Finance costs | 6 | 49,206 | 51,738 |
| | | 40,322 | 160,002 |
| Decrease in inventories | | 154,081 | 81,998 |
| Decrease/(increase) in trade receivables | | 2,971 | (9,339) |
| Decrease/(increase) in prepayments, other receivables and other assets | | 48,433 | (44,951) |
| Decrease in amounts due from a related party | | – | 35 |
| Decrease/(increase) in pledged bank deposits | | 103,341 | (183,735) |
| Increase/(decrease) in cash in transit | | (6,043) | 7,201 |
| Increase in trade and bills payables | | 7,938 | 347,282 |
| Decrease in other payables and accruals | | (65,558) | (2,811) |
| Cash generated from operations | | 285,485 | 355,682 |
| Tax paid | | (14,974) | (7,374) |
| Net cash generated from operating activities | | 270,511 | 348,308 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

| | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
|--|--------------------------------|--------------------------------|
| Investing activities | | |
| Purchase of items of property, plant and equipment | (77,575) | (197,925) |
| Proceeds from disposal of items of property, plant and equipment | 57,744 | 68,420 |
| Purchase of intangible assets | - | (1,149) |
| Interest received | 5,943 | 4,713 |
| Increase of time deposits of maturity over three months | (4,480) | (24,285) |
| Net cash used in investing activities | (18,368) | (150,226) |
| Financing activities | | |
| Proceeds from bank loans and other borrowings | 3,197,431 | 4,054,297 |
| Repayment of bank loans and other borrowings | (3,477,742) | (4,218,195) |
| Principal portion of lease payments | (8,205) | (14,956) |
| Interest paid for bank loan and other borrowings | (55,402) | (57,130) |
| Dividends paid | - | (10,560) |
| Net cash used in financing activities | (343,918) | (246,544) |
| Net decrease in cash and cash equivalents | (91,775) | (48,462) |
| Cash and cash equivalents at the beginning of the period | 746,215 | 709,179 |
| Effect of foreign exchange rate changes, net | 703 | 3,531 |
| Cash and cash equivalent at the end of period | 655,143 | 664,248 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 549,779 | 603,577 |
| Short-term deposits with maturity less than 3 months | 105,364 | 60,671 |
| | 655,143 | 664,248 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 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 2023.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

| | |
|----------------------------------|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current (the " 2020 Amendments ") |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants (the " 2022 Amendments ") |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The revised HKFRSs had no significant financial effect on the 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 Chinese Mainland and over 90% of the Group's non-current assets and liabilities were located in Chinese Mainland 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 2024



4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

| | For the six months ended 30 June 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|---|--|--|
| Revenue from contracts with customers Disaggregated revenue information | | |
| Types of goods or service | | |
| Revenue from the sale of motor vehicles | 3,918,879 | 4,650,376 |
| Others | 596,263 | 620,807 |
| Total revenue from contracts with customers | 4,515,142 | 5,271,183 |
| Timing of revenue recognition | | |
| At a point in time | 4,515,142 | 5,271,183 |

(b) Other income and gains, net:

| | For the six months ended 30 June 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|--|--|--|
| Commission income | 268,085 | 178,717 |
| Logistics and storage income | 12,530 | 12,909 |
| Government grants | 75 | 676 |
| Interest income | 4,673 | 4,713 |
| Net gain on disposal of items of property, plant and equipment | 5,669 | 10,641 |
| Net gain/(losses) on disposal of items of right-of-use assets | 5,843 | (878) |
| Fair value losses, net: | | |
| Financial assets at fair value through profit or loss | | |
| – Financial product | 16 | (48) |
| Others | 259 | 3,620 |
| | 297,150 | 210,350 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

5. PROFIT BEFORE TAX

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

| | For the six months ended 30 June 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|---|--|--|
| (a) Employee benefit expense (including directors' and chief executive's remuneration) | | |
| Wages and salaries | 119,993 | 144,538 |
| Equity-settled share award expense | 3,179 | 10 |
| Other welfare | 25,397 | 28,857 |
| | 148,569 | 173,405 |
| (b) Cost of sales and services: | | |
| Cost of sales of motor vehicles | 4,138,210 | 4,632,951 |
| Others* | 365,681 | 372,033 |
| | 4,503,891 | 5,004,984 |
| (c) Other items | | |
| Depreciation and impairment of property, plant and equipment | 84,669 | 82,297 |
| Depreciation of right-of-use assets | 13,672 | 24,278 |
| Amortisation of intangible assets | 436 | 403 |
| Advertisement and business promotion expenses | 26,914 | 35,342 |
| Lease expenses | 1,652 | 2,187 |
| Bank charges | 1,972 | 2,128 |
| Office expenses | 13,872 | 18,332 |
| Logistics expenses | 10,364 | 13,601 |
| Net (gain)/loss on disposal of items of right-of-use assets | (5,843) | 878 |
| Net gain on disposal of items of property, plant and equipment | (5,669) | (10,641) |

* There were employee benefit expenses of RMB24,802,000 (six months ended 30 June 2023: RMB28,732,000) included in the cost of sales and services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024



6. FINANCE COSTS

| | For the six months ended 30 June 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|--|--|--|
| Interest on bank borrowings and other borrowings | 55,402 | 54,638 |
| Interest expense on lease liabilities | 2,234 | 2,492 |
| Less: Interest capitalised | (8,430) | (5,392) |
| | 49,206 | 51,738 |

7. INCOME TAX

| | For the six months ended 30 June 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|---|--|--|
| Current Mainland China corporate income tax | 8,502 | 15,031 |
| Deferred tax | (7,943) | (8,451) |
| | 559 | 6,580 |

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% (2023: 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 2024

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

No interim dividend has been paid or declared by the Company during the period (Six months ended 30 June 2023: Nil).

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

The calculation of the basic (loss)/earnings per share for the six months ended 30 June 2024 is based on the (loss)/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 2023: 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 2024 Unaudited RMB'000 | For the six months ended 30 June 2023 Unaudited RMB'000 |
|---|--|--|
| Earnings | | |
| (Loss)/Profit attributable to ordinary equity holders of the parent | (96,866) | 8,207 |

| | For the six months ended 30 June 2024 | For the six months ended 30 June 2023 |
|---|--|--|
| Shares | | |
| Weighted average number of ordinary shares in issue during the period | 600,000,000 | 600,000,000 |
| (Loss)/earnings per share | | |
| Basic and diluted (RMB) | (0.16) | 0.01 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024



10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB83,854,000 (30 June 2023: RMB201,785,000).

Assets with a net book value of RMB52,075,000 were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: RMB57,780,000), resulting in a net gain of RMB5,669,000 (30 June 2023: RMB10,641,000).

As at 30 June 2024, certain of the Group's buildings with an aggregate carrying amount of approximately RMB359,052,000 (31 December 2023: RMB374,588,000) and certain of the Group's construction in progress with an aggregate carrying amount of approximately RMB440,275,000 (31 December 2023: RMB428,483,000) were pledged as securities for the Group's bank loans and other borrowings (note 14(a)), respectively.

11. INVENTORIES

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|----------------|---|---|
| Motor vehicles | 1,016,584 | 1,174,678 |
| Spare parts | 105,161 | 102,813 |
| | 1,121,745 | 1,277,491 |

As at 30 June 2024, certain of the Group's inventories with an aggregate carrying amount of approximately RMB493,379,000 (31 December 2023: RMB665,455,000) and RMB245,445,000 (31 December 2023: RMB275,604,000) were pledged as securities for the Group's bank loans and other borrowings (note 14(a)) and bills payable (note 15), respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

12. TRADE RECEIVABLES

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|-------------------|---|---|
| Trade receivables | 34,336 | 37,307 |

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.

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

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|---|---|---|
| Within 3 months | 31,756 | 35,925 |
| More than 3 months but less than 1 year | 2,258 | 882 |
| Over 1 year | 322 | 500 |
| Total | 34,336 | 37,307 |

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|---------------------------------------|---|---|
| Prepayments and deposits to suppliers | 360,533 | 450,954 |
| Vendor rebate receivables | 310,219 | 338,325 |
| VAT recoverable (i) | 109,098 | 105,617 |
| Others | 186,791 | 121,448 |
| | 966,641 | 1,016,344 |

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 2024



14. BANK LOANS AND OTHER BORROWINGS

| | 30 June 2024 Unaudited | | 31 December 2023 Audited | |
|---|-----------------------------------|-------------------|-----------------------------------|-------------------|
| | Effective interest rate (%) | Amount RMB'000 | Effective interest rate (%) | Amount RMB'000 |
| CURRENT: | | | | |
| Bank loans | 2.9-5.8 | 1,009,693 | 2.9-5.8 | 1,464,660 |
| Bank loans | 3.5-5.8 | 149,104 | – | – |
| Other borrowings | 1.3-8.5 | 344,688 | 1.3-8.5 | 347,040 |
| | | 1,503,485 | | 1,811,700 |
| NON-CURRENT: | | | | |
| Bank loans | 3.5-5.8 | 737,209 | 3.5-5.8 | 709,402 |
| | | 2,240,694 | | 2,521,102 |
| Bank loans and other borrowings represent: | | | | |
| secured loans (a) | | 1,695,077 | | 1,818,526 |
| unsecured loans | | 545,617 | | 702,576 |
| | | 2,240,694 | | 2,521,102 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

14. BANK LOANS AND OTHER BORROWINGS (continued)

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|--|---|---|
| Analysed into: | | |
| Bank loans repayable | | |
| Within one year | 1,158,797 | 1,464,660 |
| In the second year | 355,064 | 324,568 |
| In the third to fifth years, inclusive | 210,515 | 200,886 |
| Over fifth years | 171,630 | 183,948 |
| | 1,896,006 | 2,174,062 |
| Other borrowings repayable | | |
| Within one year | 344,688 | 347,040 |
| Total | 2,240,694 | 2,521,102 |

- (a) As at 30 June 2024, 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 RMB493,379,000 (31 December 2023: RMB665,455,000) (note 11);
 - (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB359,052,000 (31 December 2023: RMB374,588,000);
 - (iii) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB285,177,000 (31 December 2023: RMB289,486,000);
 - (iv) mortgages over the Group's construction in progress, which had an aggregate carrying value of approximately RMB440,275,000 (31 December 2023: RMB428,483,000);
 - (v) mortgages over the Group's bank deposits, which had an aggregate carrying value of approximately RMB93,416,000 (31 December 2023: RMB108,104,000), US\$3,706,000 (equivalent to RMB26,412,000) (31 December 2023: US\$3,657,000 (equivalent to RMB25,904,000)).
- (b) Except for the secured bank loan amounting to HK\$54,400,000 (equivalent to RMB49,650,000) (31 December 2023: HK\$54,400,000 (equivalent to RMB49,298,000) 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 2024



15. TRADE AND BILLS PAYABLES

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|--------------------------|---|---|
| Trade payables | 92,092 | 121,454 |
| Bills payable | 739,126 | 701,826 |
| Trade and bills payables | 831,218 | 823,280 |

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

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|-----------------|---|---|
| Within 3 months | 187,404 | 470,210 |
| 3 to 6 months | 635,024 | 317,114 |
| 6 to 12 months | 4,349 | 32,070 |
| Over 12 months | 4,441 | 3,886 |
| Total | 831,218 | 823,280 |

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 2024, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB245,445,000 (31 December 2023: RMB275,604,000) (note 11).

As at 30 June 2024, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB327,216,000 (31 December 2023: RMB445,057,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. SHARE CAPITAL

Issued and fully paid

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|---|---|
| Issued and fully paid 600,000,000 (2023: 600,000,000) ordinary shares of USD0.0001 | 377 | 377 |

17. 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:

| | 2024 Number of awarded shares '000 | 2023 Number of awarded shares '000 |
|--------------------------|---|---|
| At 1 January | 3,809,600 | 67 |
| Vested during the period | (3,809,600) | (67) |
| At 30 June | - | - |



17. SHARE-BASED PAYMENTS *(continued)*

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

The vesting period of awarded shares 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.

The vesting period of the shares granted in 2023 is vested immediately after passing the 2023 key performance indicator assessment.

No share awards were granted for the period ended 30 June 2024.

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 RMB3,179,000 during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB10,000).

At the end of the period, the Company had nil (30 June 2023: nil) 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 2024 and 30 June 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

18. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

| | 30 June 2024 Unaudited RMB'000 | 31 December 2023 Audited RMB'000 |
|--|---|---|
| Contracted, but not provided for Buildings | 17,989 | 23,656 |

19. 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 2024 Unaudited RMB'000 | 30 June 2023 Unaudited RMB'000 |
|--|---|---|
| (i) Sales of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.* | 189 | 1,002 |
| (ii) Purchase of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.* | 60 | 10,684 |

* Yangzhou Sunfonda Automobile Co., Ltd. is controlled by Mr. Zhao Yijian.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024



19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

| | 30 June 2024 Unaudited RMB'000 | 30 June 2023 Unaudited RMB'000 |
|--|---|---|
| Short term employee benefits | 1,979 | 2,247 |
| Equity-settled share award expense | 2,003 | – |
| Post-employee benefits | 38 | 38 |
| Total compensation paid to key management personnel | 4,020 | 2,285 |

20. 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 2024 RMB'000 Unaudited | 31 December 2023 RMB'000 Audited | 30 June 2024 RMB'000 Unaudited | 31 December 2023 RMB'000 Audited |
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | 2,681 | 2,665 | 2,681 | 2,665 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

20. 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 2024

| | Quoted prices in active markets (Level 1) RMB'000 (Unaudited) | Fair value measurement using Significant observable inputs (Level 2) RMB'000 (Unaudited) | Significant unobservable inputs (Level 3) RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|--|--|--|---------------------------------|
| Financial assets at fair value through profit or loss | 2,681 | - | - | 2,681 |

As at 31 December 2023

| | Quoted prices in active markets (Level 1) RMB'000 (Unaudited) | Fair value measurement using Significant observable inputs (Level 2) RMB'000 (Unaudited) | Significant unobservable inputs (Level 3) RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|--|--|--|---------------------------------|
| Financial assets at fair value through profit or loss | 2,665 | - | - | 2,665 |

21. EVENTS AFTER THE REPORTING PERIOD

On 20 July 2024, certain subsidiaries within the Group entered into the agreements with Zhongsheng Holdings Co., Ltd. to dispose of in aggregate the entire equity interests in Suzhou Sunfonda Toyota, Wuxi Sunfonda and Yangzhou Sunfonda Junsheng, respectively. Upon the completion of the above transactions, the Group will cease to own any equity interests in these subsidiaries. For further details, please refer to the announcement of the Company dated 20 July 2024.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 August 2024.