# NEW FOCUS AUTO TECH HOLDINGS LIMITED
# 新焦點汽車技術控股有限公司*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 360)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "**Board**") of New Focus Auto Tech Holdings Limited (the "**Company**") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018, together with unaudited comparative figures for the corresponding period in 2017, as follows:

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2018*
*(Expressed in Renminbi)*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | *Note* | **2018** <br> ***RMB'000*** <br> ***(Unaudited)*** | 2017 <br> *RMB'000* <br> *(Unaudited)* |
| **Revenue** | *4* | **533,035** | 611,470 |
| Cost of sales and services | | **(452,928)** | (499,545) |
| **Gross profit** | | **80,107** | 111,925 |
| Other revenue and gains and losses | *5* | **129,446** | 43,305 |
| Distribution costs | | **(70,817)** | (82,697) |
| Administrative expenses | | **(63,221)** | (66,802) |
| Finance costs | *6* | **(19,781)** | (22,064) |
| Share of loss of an associate | | **(159)** | (1) |
| **Profit/(Loss) before taxation** | | **55,575** | (16,334) |
| Income tax | *7* | **(6,923)** | 387 |
| **Profit/(Loss) for the period** | | **48,652** | (15,947) |

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*(Continued)*

*For the six months ended 30 June 2018*

*(Expressed in Renminbi)*

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | ***RMB'000*** | *RMB'000* |
| | | ***(Unaudited)*** | *(Unaudited)* |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | **8,502** | 3,129 |
| **Other comprehensive income for the period, net of tax** | | **8,502** | 3,129 |
| **Total comprehensive income for the period** | | **57,154** | (12,818) |
| **Profit/(loss) for the period attributable to** | | | |
| – Equity shareholders of the Company | | **71,754** | 1,500 |
| – Non-controlling interests | | **(23,102)** | (17,447) |
| | | **48,652** | (15,947) |
| **Total comprehensive income attributable to** | | | |
| – Equity shareholders of the Company | | **80,256** | 4,629 |
| – Non-controlling interests | | **(23,102)** | (17,447) |
| | | **57,154** | (12,818) |
| **Earnings per share** | *8* | | |
| Basic (RMB cents) | | **1.445** | 0.033 |
| Diluted (RMB cents) | | **0.296** | 0.033 |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*
*(Expressed in Renminbi)*

| | Note | **At 30 June 2018 *RMB'000* *(Unaudited)*** | At 31 December 2017 *RMB'000* *(Audited)* |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **217,878** | 206,033 |
| Leasehold land and land use rights | | **28,617** | 29,152 |
| Investment properties | | **46,398** | 46,398 |
| Goodwill | | **43,919** | 43,919 |
| Other intangible assets | | **49,151** | 49,660 |
| Interest in an associate | | **–** | 159 |
| Amounts due from related parties | | **24,262** | 24,262 |
| Other non-current assets | | **5,909** | 8,636 |
| Deferred tax assets | | **29,545** | 37,627 |
| | | **445,679** | 445,846 |
| **Current assets** | | | |
| Inventories | | **236,128** | 177,986 |
| Tax recoverable | | **84** | 6 |
| Trade receivables | *10* | **140,521** | 161,632 |
| Deposits, prepayments and other receivables | | **676,667** | 442,264 |
| Amounts due from related parties | | **12,362** | 15,006 |
| Pledged time deposits | | **4,500** | 4,500 |
| Cash and cash equivalents | | **345,466** | 132,944 |
| | | **1,415,728** | 934,338 |
| **Current liabilities** | | | |
| Bank borrowings, secured | | **148,309** | 157,051 |
| Trade payables | *11* | **288,864** | 242,755 |
| Accruals and other payables | | **266,482** | 428,163 |
| Amounts due to related parties | | **1,211** | 2,719 |
| Tax payable | | **168** | 4,041 |
| Convertible bonds | | **229,740** | 305,260 |
| | | **934,774** | 1,139,989 |
| **Net current assets/(liabilities)** | | **480,954** | (205,651) |
| **Total assets less current liabilities** | | **926,633** | 240,195 |

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*
*As at 30 June 2018*
*(Expressed in Renminbi)*

| | Note | **At 30 June 2018** ***RMB'000*** ***(Unaudited)*** | At 31 December 2017 *RMB'000* *(Audited)* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **22,133** | 22,268 |
| | | **22,133** | 22,268 |
| **NET ASSETS** | | **904,500** | 217,927 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **554,367** | 398,481 |
| Reserves | | **351,843** | (202,060) |
| Total equity attributable to equity shareholders of the Company | | **906,210** | 196,421 |
| Non-controlling interests | | **(1,710)** | 21,506 |
| **TOTAL EQUITY** | | **904,500** | 217,927 |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2018*
*(Expressed in Renminbi)*

| | Share capital *RMB'000* | Share premium and other reserve *RMB'000* | Accumulated losses *RMB'000* | Attributable to equity shareholders of the Company *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 398,481 | 1,070,144 | (1,272,204) | 196,421 | 21,506 | 217,927 |
| Profit/(loss) for the period | – | – | 71,754 | 71,754 | (23,102) | 48,652 |
| Other comprehensive income for the period | – | 8,502 | – | 8,502 | – | 8,502 |
| Total comprehensive income for the period | – | 8,502 | 71,754 | 80,256 | (23,102) | 57,154 |
| Shares issued under subscription agreements | 155,886 | 473,647 | – | 629,533 | | 629,533 |
| Dividends declared to non-controlling owners of subsidiaries | – | – | – | – | (114) | (114) |
| Balance at 30 June 2018 | 554,367 | 1,552,293 | (1,200,450) | 906,210 | (1,710) | 904,500 |
| Balance at 1 January 2017 | 376,184 | 936,088 | (957,985) | 354,287 | 74,880 | 429,167 |
| Profit/(loss) for the period | – | – | 1,500 | 1,500 | (17,447) | (15,947) |
| Other comprehensive income for the period | – | 3,129 | – | 3,129 | – | 3,129 |
| Total comprehensive income for the period | – | 3,129 | 1,500 | 4,629 | (17,447) | (12,818) |
| Dividends declared to non-controlling owners of subsidiaries | – | – | – | – | (68) | (68) |
| Recognition of equity-settled share-based payments | – | 1,081 | – | 1,081 | – | 1,081 |
| Balance at 30 June 2017 | 376,184 | 940,298 | (956,485) | 359,997 | 57,365 | 417,362 |

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
*For the six months ended 30 June 2018*
*(Expressed in Renminbi)*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Operating activities** | | |
| Cash used in operations | **(16,380)** | (6,717) |
| Tax paid | **(2,927)** | (5,210) |
| **Net cash used in operating activities** | **(19,307)** | (11,927) |
| **Investing activities** | | |
| Proceeds from sale of financial assets available for sale | **–** | 130 |
| Purchase of available-for-sale financial assets | **–** | (30,000) |
| Proceeds from disposal of subsidiaries | **3,847** | 14,326 |
| Purchase of property, plant and equipment | **(14,287)** | (27,632) |
| Loans repaid by a third party | **123,500** | 12,761 |
| Loans to a third party | **(320,905)** | – |
| Other cash flows arising from investing activities | **17,503** | 42,645 |
| **Net cash (used in)/generated from investing activities** | **(190,342)** | 12,230 |
| **Financing activities** | | |
| Net (decrease)/increase in bank and other borrowings, secured | **(8,742)** | 17,184 |
| Net cash from issue of shares under subscription agreements | **440,558** | – |
| Other cash flows arising from financing activities | **(9,645)** | (4,390) |
| **Net cash generated from financing activities** | **422,171** | 12,794 |
| **Net increase in cash and cash equivalents** | **212,522** | 13,097 |
| **Cash and cash equivalents, beginning of period** | **132,944** | 164,269 |
| **Cash and cash equivalents, end of period** | **345,466** | 177,366 |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES

New Focus Auto Tech Holdings Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region and trading of automobile accessories. The Company and its subsidiaries are collectively referred to as the Group.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issuance on 30 August 2018.

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2017 that is included in the unaudited interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2018.

## 3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following IFRSs that are first effective for the current accounting period of the Group.

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers

The Group had to change its accounting policies as a result of adopting the above new standards. The impact of the adoption of these standards and new accounting policies are disclosed below. The other standards and interpretation did not have material impact in the Group's accounting policies and did not require any adjustments.

### (a) IFRS 9 Financial Instructments

The new accounting policies in relation to measurement of impairment of financial assets are set out in below.

*Impairment of financial assets*

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables; and
- other financial assets at amortised cost.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The provision for doubtful debts for these financial assets is based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

*Trade receivables*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

*Other financial assets at amortised cost*

Other financial assets at amortised cost include deposits and other receivables. Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

The Group has concluded that there is no material impact for the initial application of the new impairment requirements.

## 3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (b) IFRS 15 – Revenue from Contracts with Customers

*Revenue*

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognised on the transfer of control of products, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue from providing services is recognised when the Group renders services and customers obtain the benefits from services.

A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as contract costs and subsequently amortised when the related revenue is recognised. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to render the goods to a customer for which the Group has received consideration from the customer.

The adoption of IFRS 15 did not have any material impact on the Group's unaudited condensed consolidated interim financial information.

## 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the sales value of goods supplied and services provided to customers and is analysed as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Sale of goods | **368,789** | 431,869 |
| Service income | **164,246** | 179,601 |
| | **533,035** | 611,470 |

## 4. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (a) Reportable segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group operates in three reportable segments: (i) the provision of automobile repair, maintenance and restyling services (the "**Retail Service Business**"); (ii) trading of automobile accessories (the "**Wholesale Business**"); and (iii) the manufacture and sale of automobile accessories (the "**Manufacturing Business**").

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

Set out below is an analysis of segment information:

| | **The Retail Service Business** *RMB'000* | **The Wholesale Business** *RMB'000* | **The Manufacturing Business** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|
| **For the six months ended 30 June 2018** | | | | |
| Revenue | | | | |
| External revenue | **164,186** | **140,824** | **228,025** | **533,035** |
| Inter-segment revenue | **–** | **–** | **56** | **56** |
| Segment revenue | **164,186** | **140,824** | **228,081** | **533,091** |
| Less: inter-segment revenue | | | | **(56)** |
| Total revenue | | | | **533,035** |
| Reportable segment results | **(37,639)** | **338** | **(4,834)** | **(42,135)** |
| Interest income | **64** | **49** | **100** | **213** |
| Unallocated interest income | | | | **28,177** |
| Total interest income | | | | **28,390** |
| Interest expenses | **(369)** | **–** | **(846)** | **(1,215)** |
| Unallocated interest expenses | | | | **(18,566)** |
| Total interest expenses | | | | **(19,781)** |
| Depreciation and amortisation charges | **(12,885)** | **(540)** | **(5,873)** | **(19,298)** |
| Unallocated depreciation and amortisation charges | | | | **(81)** |
| Total depreciation and amortisation charges | | | | **(19,379)** |

4. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

(a) **Reportable segment** *(Continued)*

| | The Retail Service Business *RMB'000* | The Wholesale Business *RMB'000* | The Manufacturing Business *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| For the six months ended 30 June 2017 | | | | |
| Revenue | | | | |
| External revenue | 179,601 | 175,933 | 255,936 | 611,470 |
| Inter-segment revenue | – | – | 127 | 127 |
| Segment revenue | 179,601 | 175,933 | 256,063 | 611,597 |
| Less: inter-segment revenue | | | | (127) |
| Total revenue | | | | 611,470 |
| Reportable segment results | (24,616) | (12,985) | 4,967 | (32,634) |
| Interest income | 65 | 75 | 130 | 270 |
| Unallocated interest income | | | | 41,666 |
| Total interest income | | | | 41,936 |
| Interest expenses | (1,431) | (656) | (472) | (2,559) |
| Unallocated interest expenses | | | | (19,505) |
| Total interest expenses | | | | (22,064) |
| Depreciation and amortisation charges | (10,744) | (850) | (5,186) | (16,780) |
| Unallocated depreciation and amortisation charges | | | | (677) |
| Total depreciation and amortisation charges | | | | (17,457) |

## 4. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (b) Reconciliation of reportable segment profit or loss, and assets and liabilities

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| **Profit/(loss) before tax** | | |
| Reportable segment (loss)/profit | **(42,135)** | (32,634) |
| Unallocated other revenue and gains and losses | **126,381** | 43,006 |
| Unallocated corporate expenses | **(10,105)** | (7,201) |
| Unallocated finance costs | **(18,566)** | (19,505) |
| Consolidated profit/(loss) before tax | **55,575** | (16,334) |

| | **At 30 June** | At 31 December |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| **Assets:** | | |
| Reportable segment assets | **1,047,052** | 909,087 |
| Unallocated corporate assets | **814,355** | 471,097 |
| Consolidated total assets | **1,861,407** | 1,380,184 |
| **Liabilities:** | | |
| Reportable segment liabilities | **670,984** | 624,334 |
| Unallocated corporate liabilities | **285,923** | 537,923 |
| Consolidated total liabilities | **956,907** | 1,162,257 |

### (c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, leasehold land and land use rights, other intangible assets, goodwill and interest in an associate ("**specified non-current assets**"):

| | Revenue from external customers | | Specified non-current assets | |
|---|---|---|---|---|
| | **At 30 June** | At 30 June | **At 30 June** | At 31 December |
| | **2018** | 2017 | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| PRC (Place of domicile) | **399,065** | 440,316 | **385,963** | 375,321 |
| America | **110,914** | 148,317 | **–** | – |
| Europe | **6,594** | 9,141 | **–** | – |
| Asia Pacific | **16,462** | 13,696 | **–** | – |
| | **533,035** | 611,470 | **385,963** | 375,321 |

The revenue information is based on the locations of the customers.

## 4. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (d) Major customers

During the six months ended 30 June 2018, the Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenues.

## 5. OTHER REVENUE AND GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Fair value change on conversion option | **89,387** | – |
| Interest income from loans to Shenzhen Jiahong and Lifeng Dingsheng | **28,177** | 41,666 |
| Exchange gain/(loss) , net | **8,456** | (1,608) |
| Others | **3,426** | 3,247 |
| | **129,446** | 43,305 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Interests on bank borrowings | | |
| – wholly repayable within five years | **3,827** | 4,135 |
| Imputed interest on convertible bonds | **15,954** | 17,929 |
| | **19,781** | 22,064 |

## 7. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Current tax | **(1,024)** | (387) |
| Deferred tax | **7,947** | – |
| | **6,923** | (387) |

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the six months ended 30 June 2018 (30 June 2017: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

## 8. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Profit for the year attributable to the equity shareholders of the Company, used in the basic and diluted earnings per share calculation | **71,754** | 1,500 |
| **Shares** | | |
| Weighted average number of ordinary shares for the basic earnings per share calculation | **4,967,054** | 4,576,606 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| – Share options# | **–** | – |
| – Convertible bonds* | **662,124** | – |
| Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares | **5,629,178** | 4,576,606 |

\# The computation of diluted earnings per share for the six months ended 30 June 2018 and 2017 does not assume the conversion of the Company's outstanding share options since the impact of those share options on basic earnings per share is anti-dilutive.

* The computation of diluted earnings per share for the six months ended 30 June 2017 does not assume the conversion of the Company's convertible bonds since the impact of those bonds on basic earnings per share is anti-dilutive.

## 9. DIVIDEND

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

## 10. TRADE RECEIVABLES

The ageing analysis of trade receivables of the Group at the end of reporting period by invoice date is as follows:

| | **At 30 June 2018** *RMB'000* | At 31 December 2017 *RMB'000* |
|---|---|---|
| Current to 30 days | **63,093** | 73,132 |
| 31 to 60 days | **30,993** | 49,084 |
| 61 to 90 days | **23,371** | 22,822 |
| Over 90 days | **33,877** | 30,172 |
| | **151,334** | 175,210 |
| Less: allowance for doubtful debts | **(10,813)** | (13,578) |
| | **140,521** | 161,632 |

## 11. TRADE PAYABLES

The ageing analysis of trade payables of the Group at the end of reporting period by invoice date is as follows:

| | **At 30 June 2018** *RMB'000* | At 31 December 2017 *RMB'000* |
|---|---|---|
| Current to 30 days | **106,894** | 119,415 |
| 31 to 60 days | **51,361** | 55,976 |
| 61 to 90 days | **40,688** | 17,264 |
| Over 90 days | **89,921** | 50,100 |
| | **288,864** | 242,755 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group is committed to the construction and development of individual automotive service chain networks and automotive product e-commerce platforms. The retail service stores of the Group, which are primarily city gas stations, provide car owners with automotive cleaning, beauty, maintenance, body repair and repair services and sell automotive products. The automotive product e-commerce platform of the Group provides customers with purchase, delivery and warehouse storage services of automotive repair parts and automotive products. The manufacturing business of the Group is principally engaged in the research and development, manufacture and sale of electronic and power-related automotive accessories, which are mainly sold to the markets of Mainland China, North America and Europe.

## RESULTS HIGHLIGHTS

### Revenue

For the six months ended 30 June 2018 (the "**Period**"), the Group recorded a consolidated revenue of RMB533,035,000 (corresponding period of 2017: RMB611,470,000), representing a decrease of 12.83%.

The consolidated revenue of the retail service business of the Group amounted to RMB164,186,000 (corresponding period of 2017: RMB179,601,000), representing a decrease of 8.58%, which was mainly attributable to the adverse impact brought upon by online e-commerce platforms. Many online e-commerce platforms carried out cut-throat marketing strategies regardless of cost in order to expand their market share, which resulted in the loss of certain customers and orders of the Group's retail service business.

The consolidated revenue of the wholesale service business of the Group was RMB140,824,000 (corresponding period of 2017: RMB175,933,000), representing a decrease of 19.96%. The decrease was mainly attributable to the strict selection of online and offline cooperation partners during the Period and the phasing-out of products with low gross margin.

The consolidated revenue of the manufacturing business of the Group was RMB228,025,000 (corresponding period of 2017: RMB255,936,000), representing a decrease of 10.91%. The decrease was mainly attributable to the appreciation of the Renminbi against the US dollar during the Period, which resulted in the decrease in revenue of export sales.

### Gross profit and gross margin

The consolidated gross profit of the Group for the Period was RMB80,107,000 (corresponding period of 2017: RMB111,925,000), representing a decrease of 28.43%. Gross margin decreased from 18.30% to 15.03%.

The gross profit of the Group's retail service business was RMB24,958,000 (corresponding period of 2017: RMB40,579,000), representing a decrease of 38.50%, and its gross margin decreased from 22.59% to 15.20%. The decrease in gross profit and gross margin were mainly attributable to the decrease in revenue during the Period as compared to that in the corresponding period of last year and lower proportion of revenue from business with high gross margin.

The gross profit of the Group's wholesale service business was RMB20,513,000 (corresponding period of 2017: RMB15,949,000), representing an increase of 28.62%, and its gross margin increased from 9.07% to 14.57%. The increase in gross profit and gross margin were mainly attributable to the optimization of product structure of the wholesale service business and the phasing-out of products with low gross margin.

The gross profit of the Group's manufacturing business was RMB34,838,000 (corresponding period of 2017: RMB55,397,000), representing a decrease of 37.11%, and its gross margin decreased from 21.64% to 15.28%. The decrease in gross profit and gross margin were mainly attributable to the decrease in revenue during the Period as compared to that in the corresponding period of last year; the increase in raw material cost and labour cost as compared to that in the corresponding period of last year; and the appreciation of the Renminbi against the US dollar during the Period as compared to that in the corresponding period of last year.

**Expenses**

The distribution costs for the Period were RMB70,817,000 (corresponding period of 2017: RMB82,697,000), representing a decrease of 14.37%, which was mainly attributable to the decrease in sales commission and delivery expenses.

The administrative expenses for the Period were RMB63,221,000 (corresponding period of 2017: RMB66,802,000), representing a decrease of 5.36%, which was mainly attributable to the reduction on administration expenses of the retail service business.

**Operating profit**

The operating profit for the Period was RMB75,356,000 (corresponding period of 2017: RMB5,730,000), representing an increase in operating profit of RMB69,626,000 as compared to that in the corresponding period of 2017, which was mainly attributable to the increase in the Group's other revenue and gains and losses of RMB86,141,000, the decrease in the consolidated gross profit of RMB31,818,000 and the decrease in the aggregate of distribution costs and administrative expenses of RMB15,461,000 during the Period as compared to that in the corresponding period of last year.

The increase in the Group's other revenue and gains and losses of RMB86,141,000 was mainly due to a gain of RMB89,387,000 on fair value change in the convertible notes in the principal amount of US$35,000,000 due in 2019 issued to High Inspiring Limited (the "**Investor**"), an indirect wholly-owned subsidiary of China Construction Bank Corporation, by the Company on 1 September 2017 (the "**CCBC Convertible Notes**").

**Finance costs**

Net finance costs for the Period amounted to RMB19,781,000 (corresponding period of 2017: RMB22,064,000), representing a decrease of 10.35%. It was mainly attributable to the decrease of RMB1,975,000 in interests payable by the Company during the Period relating to the CCBC Convertible Notes as compared to the interest relating to the convertible notes issued to Haitong International Financial Products Limited by the Company during the same period in 2017.

**Taxation**

Income tax expenses for the Period were RMB6,923,000 (corresponding period of 2017: RMB(387,000)), representing an increase of RMB7,310,000, which was mainly attributable to the increase in deferred income tax expense during the Period.

**Profit attributable to the owners of the Company**

Profit attributable to the owners of the Company for the Period was RMB71,754,000 (corresponding period of 2017: RMB1,500,000), representing an increase of RMB70,254,000, which was mainly attributable to a gain of RMB89,387,000 on fair value change in the CCBC Convertible Notes. Earnings per share amounted to RMB1.445 cents (corresponding period of 2017: RMB0.033 cent of earnings per share).

**Financial Position and Liquidity**

The Group continued to maintain a stable financial position and healthy liquidity of assets. During the Period, the Group's net cash outflow from operating activities amounted to RMB19,307,000 (corresponding period of 2017: outflow of RMB11,927,000).

The Group's net current assets were RMB480,954,000 as at 30 June 2018 (31 December 2017: net current liabilities RMB205,651,000), with a current ratio of 1.51 (31 December 2017: 0.82).

Gearing ratio (calculated by dividing total liabilities by total assets) was 51.41% as at 30 June 2018 (31 December 2017: 84.21%).

As at 30 June 2018, the total bank borrowings of the Group were RMB148,309,000 (31 December 2017: RMB157,051,000), approximately 17.86% of which were made in US Dollar and approximately 82.14% were made in Renminbi. All of the bank borrowings are repayable within one year and at fixed interest rates.

The operation and capital expenses of the Group were funded by the cash flow generated from the Group's business, internal liquid funds and the financial agreements entered into with banks. The Group had sufficient financial resources to satisfy all contractual responsibilities and operation needs.

**Capital Structure**

On 21 August 2017, the Company entered into a convertible note purchase agreement with the Investor, pursuant to which the Company conditionally agreed to issue and the Investor conditionally agreed to purchase the CCBC Convertible Notes. Assuming full conversion of the CCBC Convertible Notes at the initial conversion price of HK$0.306085 per share, the CCBC Convertible Notes will be convertible into approximately 886,191,744 shares of the Company. The net proceeds from the issue of CCBC Convertible Notes, after deducting all related fees and expenses, are approximately US$34,916,000. The issue of CCBC Convertible Notes was completed on 1 September 2017. Details of the aforementioned transaction are set out in the announcements of the Company dated 21 August 2017 and 8 September 2017.

Upon the receipt of two conversion notices dated 12 September 2017 and 28 September 2017, respectively, from the Investor, each for conversion of part of the CCBC Convertible Notes in the principal amount of US$5,000,000, the Company allotted and issued 126,598,820 conversion shares, respectively, to the Investor at the conversion price of HK$0.306085 per conversion share on 14 September 2017 and 3 October 2017, respectively. As at 30 June 2018, the outstanding principal in aggregate of the CCBC Convertible Notes was US$25,000,000. In accordance with the relevant terms and conditions of the CCBC Convertible Notes, the conversion price under CCBC Convertible Notes has adjusted from HK$0.306085 per share to HK$0.280511 per share upon the completion of the Subscription (as defined below) on 19 June 2018.

In accordance with the subscription agreement dated 21 December 2017 (as amended and supplemented by the supplementary agreement dated 25 April 2018, "**Subscription Agreement**") entered into with Fame Mountain Limited (the "**Subscriber**"), the Company allotted and issued 1,904,761,905 new ordinary shares of par value HK$0.10 each in the share capital of the Company (the "**Subscription Shares**" and each a "**Subscription Share**") to the Subscriber at the subscription price of HK$0.42 per Subscription share (the "**Subscription**"). The aggregate nominal value of the Subscription Shares was HK$190,476,190.5. The Subscription was completed on 19 June 2018. The net proceeds from the Subscription, after deducting all related fees and expenses of approximately RMB26,293,000, was approximately RMB629,533,000. The net price of each Subscription Share was approximately HK$0.41. The closing price of the shares of the Company was HK$0.68 on the date of the Subscription Agreement.

The Directors are of the view that the Subscription represents a good opportunity for the Company to raise funds to strengthen its capital base and financial position and to finance the future development and expansion of the Group, including the Acquisition (as defined below). The Board intends to use approximately RMB415,787,000 of the net proceeds from the Subscription for the settlement of the consideration under the Acquisition and approximately RMB213,746,000 for the general working capital of the Group. Further details of the Subscription are set out in the announcements of the Company dated 21 December 2017, 25 April 2018 and 19 June 2018, and the circular of the Company dated 28 May 2018.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity throughout the Period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

The Group's retail and wholesale service businesses mainly took place in Mainland China and approximately 80% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in US dollars. As such, the Group's cash and cash equivalents and borrowings are mainly denominated in Renminbi and US dollars.

As at 30 June 2018, the Group's total assets were RMB1,861,407,000 (31 December 2017: RMB1,380,184,000), comprising: (1) share capital of RMB554,367,000 (31 December 2017: RMB398,481,000), (2) reserves and non-controlling interests of RMB350,133,000 (31 December 2017: RMB(180,554,000)), and (3) debts of RMB956,907,000 (31 December 2017: RMB1,162,257,000).

**Financial Guarantees and Pledge of Assets**

As at 30 June 2018, the aggregate net book values of properties, plants, equipment, leasehold land, land use rights and time deposits pledged to secure the Group's bank borrowings were RMB103,765,000 (31 December 2017: RMB111,226,000).

**Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

On 2 March 2018, Ningbo Meishan Bonded Port Area Chifeng Investment Management Co., Ltd* (寧波梅山保稅港區馳豐投資管理有限公司), a wholly-owned subsidiary of the Company, as purchaser (the "**Purchaser**"), and Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司), as vendor (the "**Vendor**"), entered into the equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which the Purchaser is to acquire 100% of the equity interests in Inner Mongolia Chuangying Automobile Co., Ltd.* (內蒙古創贏汽車有限公司) wholly held by the Vendor, at the consideration of RMB660,000,000, subject to the terms and conditions of the Equity Transfer Agreement (the "**Acquisition**"). For more details of the Acquisition, please refer to the announcement of the Company dated 2 March 2018 and the circular of the Company dated 24 August 2018.

**Significant Investments**

The Group had no significant investments during the Period.

As at 13 July 2018, the Company and Kartor Technologies Limited* (駕圖信科技有限公司) ("**Kartor**"), entered into a non-legally binding memorandum of understanding, pursuant to which, Kartor intends to allot and issue, and the Company intends to subscribe for, certain new shares to be issued by Kartor, representing 5% of the equity interests in Kartor on a fully diluted basis (the "**Proposed Subscription**"). The amount of consideration, payment terms, the rights and obligations of the parties and other terms of the Proposed Subscription will be determined by the parties in the formal subscription agreement in relation to the Proposed Subscription. The consideration for the Proposed Subscription is expected to be funded by a combination of the internal resources of the Group and possible debt and/or equity financing from banks and/or other investors based on the available fund raising options, pertinent terms thereof as well as the prevailing market conditions. For more details of the Proposed Subscription, please refer to the announcement of the Company dated 13 July 2018.

Save for the above, the Group had no other specific future plans for material investments.

**Exchange Risk**

The Group's retail and wholesale service businesses mainly took place in Mainland China and their settlement currency was Renminbi. Hence, there was no exchange risk. Approximately 80% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in US dollar, whereas most of the raw materials used to produce these exports were purchased in Renminbi, the depreciation of the US dollar against the Renminbi would normally adversely affect the profitability of the Group's manufacturing business. The Group reduced its exposure to US dollar foreign currency risk by making US dollar borrowings to minimize exchange risk. As at 30 June 2018, the amount of the Group's US dollar borrowings were approximately USD4,000,000 (31 December 2017: USD4,000,000).

In addition, the interests payable under the CCBC Convertible Notes, which are estimated to be USD1,782,000 and USD1,750,000 for the years of 2018 and 2019, respectively, will be paid out of the revenue generated from the export of the Group's manufacturing business. This arrangement will help to hedge against the exchange risk faced by the Group's manufacturing business.

**Contingent Liabilities**

As at 30 June 2018, the Group had no significant contingent liabilities.

## Employees and Remuneration Policy

As at 30 June 2018, the Group employed a total of 3,715 full-time employees (30 June 2017: 4,308), of which 537 (30 June 2017: 592) were managerial staff. The Group's remuneration policies are formulated to attract talent and retain quality staff. The remuneration package of each individual employee is determined based on his or her experience and qualifications. The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements share option schemes as a long-term incentive scheme of the Group. Details of the share options scheme of the Company will be disclosed in the section headed "Other Information" of the interim report of the Company for the Period which will be published in due course. The Group emphasizes the importance of staff development and provides training programs on an ongoing basis with reference to its strategic objectives and performance of its staff.

## Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (corresponding period of 2017: nil).

## Industry Development and Business Review

During the Period, the sales volume of passenger vehicles in Mainland China was approximately 11.78 million, representing an increase of approximately 4.64% as compared to the corresponding period of 2017. The sales of passenger vehicles in the PRC market continued to grow steadily, promoting a constant increase of retention of passenger vehicles. It is expected that the sales value of the PRC automobile after-sales market will grow at a compound annual growth rate of 14.2% from 2018 to 2020 and reach RMB1,500 billion in 2020.

## The Group's Service Business

The Group focused on the expansion of individual automobiles service chain networks in the B2C field and the construction and expansion of the automotive products e-commerce platform "Auto Make" in the B2B field. As at 30 June 2018, the Group had a total of 226 retail service stores.

The Group's operating strategies implemented during the Period mainly include the following aspects:

Firstly, the Group steadily expanded its retail service network. The integrated service chain business of the Group focused its resources on gas station stores. Pursuant to the strategic cooperation agreement with the Hubei branch of Sinopec Chemical Products Sales Company ("**Sinopec**"), the Group and Sinopec Hubei branch jointly opened automobile retail service stores in the gas stations within the Sinopec Hubei branch network and maintained a leading position in terms of market share and brand awareness in the automobile after-sales market in the central China region. The Group also joined hands with Sinopec Tianjin branch, Sinopec Jiangxi branch, Sinopec Anhui branch, Sinopec Guangdong branch, Sinopec Hunan branch and the Gansu marketing branch of PetroChina Company Limited ("**PetroChina**"), Beijing marketing branch of PetroChina, Chongqing marketing branch of PetroChina and Sichuan marketing branch of PetroChina and set up service stores.

Secondly, the Group invested a lot of resources to improve the e-commerce platform "Auto Make", with which new customers are being attracted. Targeting small retail service stores, the e-commerce platform provides customers with repair and maintenance parts and the purchase, delivery and warehouse storage services of automotive products. It also attracts relevant manufacturers and large-scale wholesalers to set up stores on the "Auto Make" platform for the purpose of providing the services of sales, collection of payment and delivery. Through these functions, the Group has set up an e-commerce platform combining a self-operated wholesale platform of the Group and third-party sales of automotive products. The e-commerce platform "Auto Make" provides service for the three provinces in northeast China, eastern Inner Mongolia, Zhejiang Province and Jiangsu Province, and it is expected to further expand to Beijing, Shanghai and Guangdong.

During the Period, the e-commerce platform "Auto Make" optimized its product structure and phased out some products with lower gross margin so as to increase the gross profit and gross margin.

**The Group's Manufacturing Business**

Based on the Group's overall strategic deployment, the Group's manufacturing business has uplifted its product innovation and competitiveness by integrating internal supply chains, improving production efficiency and investing in research and development resources. While streamlining the existing market and customers, the Group also focused precisely on the target market and customer groups.

The strategic layout of the pre-installed new energy vehicle market has achieved initial success. The Group has established a research and development subsidiary in Shenzhen which dedicates to the development of new energy vehicle accessories and has successfully developed a series of new energy vehicle accessories, namely the pre-installed on-board charger module (OBC), on-board charging inverter integrated machine (DBC), and on-board DC/DC converter and on-board inverter (DC/AC) for electric vehicles. It has started to deliver the relevant accessories for certain electric vehicle models of Chery and Fukuda. At the same time, the Group is also conducting adaption towards the research and development of new energy vehicles for more manufacturers, and it is expected to continuously supply relevant accessories for more manufacturers' new energy vehicles in the coming years. With the explosive growth in the production and sales of domestic new energy vehicles, the Group will seize the significant opportunities brought about by the market changes and strive to become a key supplier of new energy vehicle battery charging and inverter modules. The Company expects that this business segment will experience explosive growth in the future.

### Financing and Acquisition

While developing the Group's own business, the management has also invested plenty of resources in exploring financing and acquisition opportunities in a bid to accelerate the expansion of the Group and to enhance the Company's value in the capital market. With the unremitting efforts of the management, the Group completed the issuance of new shares to the investors in June 2018, successfully raising proceeds of approximately RMB630 million.

In March 2018, the Group has entered into an Equity Transfer Agreement with Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司), pursuant to which the Group intended to acquire certain 4S dealership stores with sound operation so as to expand the business scope of the Group. Upon the completion of the acquisition, it is expected that the Group will have a leading position in the 4S dealership stores in Inner Mongolia which is expected to be conducive to the revenue generating capacity and profitability of the Group.

The Group will continue to actively search for potential acquisition targets and cooperation partnership, which will help achieve the strategic objectives of the Group.

## CORPORATE GOVERNANCE AND OTHERS

### Corporate Governance

In the opinion of the directors of the Company (the "**Directors**"), the Company has complied with the code provisions in the Corporate Governance Code ("**Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Period.

At present, the Company has four Board committees. The information of the members of these committees is set out below:

1. Audit Committee:

   Mr. Hu Yuming *(Chairman)*, Mr. Lin Lei and Mr. Wang Zhenyu

2. Remuneration Committee:

   Mr. Hu Yuming *(Chairman)*, Mr. Zhang Xiaoya and Mr. Du Jinglei

3. Nomination Committee:

   Mr. Du Jinglei *(Chairman)*, Mr. Lin Lei and Mr. Zhang Xiaoya

4. Strategy Committee:

   Mr. Lin Lei *(Chairman)*, Mr. Zhang Xiaoya and Mr. Wang Zhenyu

**Purchase, Sale and Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company during the Period.

**Securities Transactions of Directors**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. Having made specific enquiry to all Directors by the Company, all Directors confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2018.

**Audit Committee**

At present, the audit committee of the Company (the "**Audit Committee**") comprises Mr. Hu Yuming, Mr. Lin Lei and Mr. Wang Zhenyu. Mr. Hu Yuming and Mr. Lin Lei are independent non-executive Directors of the Company, and Mr. Wang Zhenyu is a non-executive Director of the Company. Mr. Hu Yuming is the Chairman of the Audit Committee.

The Audit Committee has reviewed with management the accounting standards and practice guidelines adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2018. The accounting information in this interim results announcement has not been audited but has been reviewed by the Audit Committee.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.nfa360.com). The 2018 interim report will be despatched to the shareholders of the Company in September 2018 and made available on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By order of the Board
**New Focus Auto Tech Holdings Limited**
**DU Jinglei**
*Chairman*

Hong Kong, 30 August 2018

*As at the date of this announcement, the directors of the Company are: executive director – DU Jinglei; non- executive directors – WANG Zhenyu and ZHANG Jianxing; and independent non-executive directors – HU Yuming, LIN Lei and ZHANG Xiaoya.*

* *For identification purposes only*