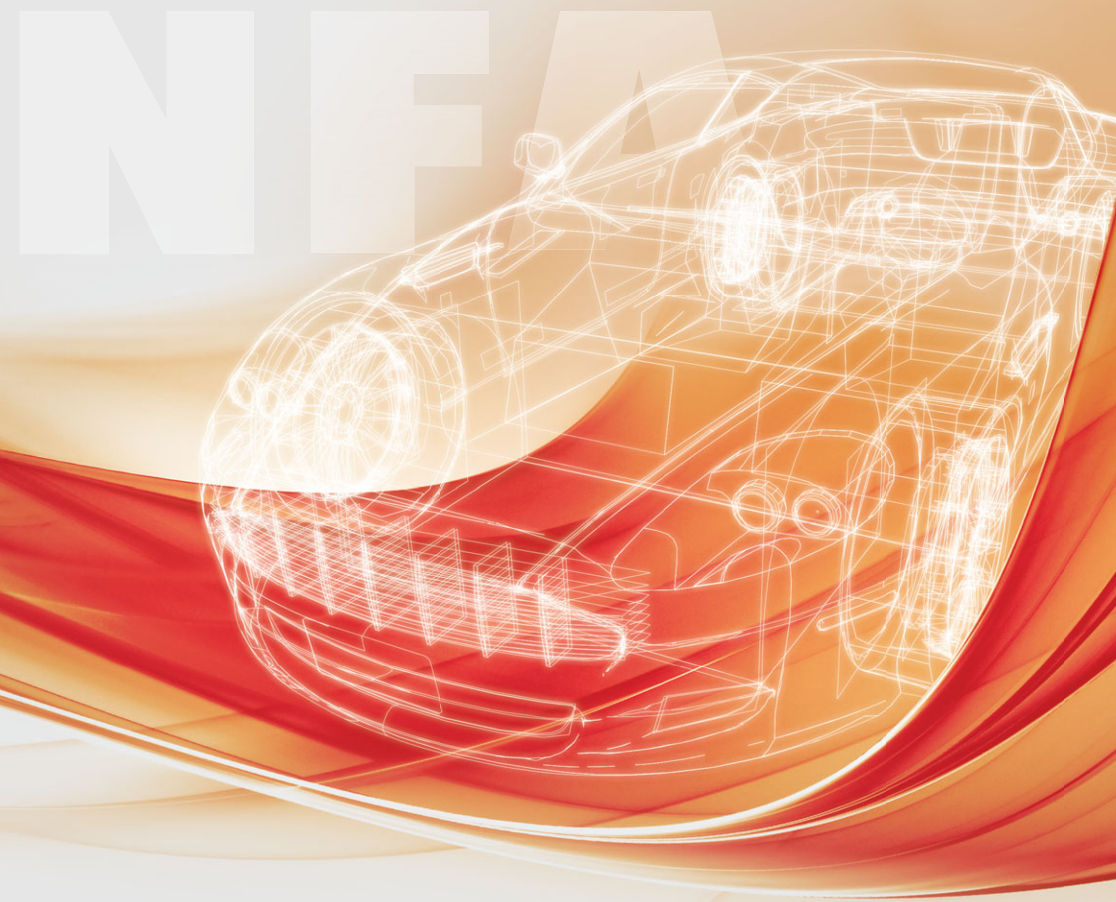
新焦點汽車技術控股有限公司*

New Focus Auto Tech Holdings Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 360

INTERIM REPORT 2018



* For identification purpose only

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CORPORATE INFORMATION

Directors

Executive Director

Du Jinglei *(Chairman)*

Non-executive Directors

Wang Zhenyu

Zhang Jianxing

Independent Non-executive Directors

Hu Yuming

Lin Lei

Zhang Xiaoya

Company Secretary

Liu Xiao Hua

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HLB Hodgson Impey Cheng Limited
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Stock Code

360

Websites

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INTERIM FINANCIAL REPORT

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2018** **RMB'000** **(Unaudited)**	2017 RMB'000 (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)
Other comprehensive income	*8*		
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)

Unaudited Consolidated Statement of Comprehensive Income *(Continued)*

For the six months ended 30 June 2018

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2018** **RMB'000** **(Unaudited)**	2017 RMB'000 (Unaudited)
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	9		
Basic (RMB cents)		**1.445**	0.033
Diluted (RMB cents)		**0.296**	0.033

INTERIM FINANCIAL REPORT

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	11	**217,878**	206,033
Leasehold land and land use rights	11	**28,617**	29,152
Investment properties	11	**46,398**	46,398
Goodwill	11	**43,919**	43,919
Other intangible assets	11	**49,151**	49,660
Interest in an associate		**–**	159
Amounts due from related parties	20	**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	12	**236,128**	177,986
Tax recoverable		**84**	6
Trade receivables	13	**140,521**	161,632
Deposits, prepayments and other receivables		**676,667**	442,264
Amounts due from related parties	20	**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	14	**148,309**	157,051
Trade payables	15	**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	16	**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	*17*	**554,367**	398,481
Reserves	*18*	**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 interest 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

Unaudited Condensed Consolidated Statement of Changes in Equity *(Continued)*

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 interest RMB'000	Total equity RMB'000
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; 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 have 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 have 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 the 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 publication of 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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, 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 Instruments

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

(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.

4. Revenue and segment information *(Continued)*

(a) Reportable segment *(Continued)*

Set out below is an analysis of segment information:

For the six months ended 30 June 2018	The Retail Service Business RMB'000	The Wholesale Business RMB'000	The Manufacturing Business RMB'000	Total RMB'000
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)*

For the six months ended 30 June 2017	The Retail Service Business RMB'000	The Wholesale Business RMB'000	The Manufacturing Business RMB'000	Total RMB'000
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 2018	At 31 December 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

4. Revenue and segment information *(Continued)*

(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 2018 RMB'000	At 30 June 2017 RMB'000	**At 30 June 2018 RMB'000**	At 31 December 2017 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.

(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 RMB'000	2017 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 **RMB'000**	2017 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 **RMB'000**	2017 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. Other comprehensive income, net of tax

For the six months ended 30 June 2018	**Before tax amount RMB'000**	**Tax expense RMB'000**	**Net of tax amount RMB'000**
Exchange reserve			
Exchange differences on translating foreign operations	**8,502**	**–**	**8,502**

8. Other comprehensive income, net of tax *(Continued)*

For the six months ended 30 June 2017	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange reserve			
Exchange differences on translating foreign operations	3,129	–	3,129

9. Earnings per share

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

	Six months ended 30 June	
	2018 RMB'000	2017 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.

10. 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).

11. Capital expenditure

	Property, Plant and Equipment RMB'000	**Leasehold land and land use rights RMB'000**	**Investment Properties RMB'000**	**Goodwill RMB'000**	**Other intangible assets RMB'000**
Beginning net carrying amount as at 1 January 2018	**206,033**	**29,152**	**46,398**	**43,919**	**49,660**
Additions	**29,817**	**–**	**–**	**–**	**32**
Disposals	**(731)**	**–**	**–**	**–**	**–**
Depreciation charge for the period	**(18,303)**	**(535)**	**–**	**–**	**(541)**
Acquisition of a subsidiary	**1,062**	**–**	**–**	**–**	**–**
Ending net carrying amount as at 30 June 2018	**217,878**	**28,617**	**46,398**	**43,919**	**49,151**

	Property, Plant and Equipment RMB'000	Leasehold land and land use rights RMB'000	Investment Properties RMB'000	Goodwill RMB'000	Other intangible assets RMB'000
Beginning net carrying amount as at 1 January 2017	182,450	30,221	43,864	43,919	56,038
Additions	31,031	–	–	–	–
Disposals	(2,116)	–	–	–	–
Depreciation charge for the period	(16,896)	(535)	–	–	(26)
Ending net carrying amount as at 30 June 2017	194,469	29,686	43,864	43,919	56,012

12. Inventories

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Raw material	**56,197**	37,660
Work in Progress	**22,178**	21,643
Finished Goods	**35,902**	27,539
Merchandise Goods	**121,851**	91,144
	236,128	177,986

13. 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

14. Bank borrowings, secured

Bank borrowings are repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
On demand or within one year	**148,309**	157,051
	148,309	157,051

15. 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

16. CONVERTIBLE BONDS

CCBI CBs

In September 2017, the Company issued redeemable convertible notes (the "CCBI CBs") in the principal amount of US$35,000,000 (equivalent to RMB230,681,500) to High Inspiring Limited ("High Inspiring", a company incorporated with limited liability and an indirect wholly owned subsidiary of CCB International (Holdings) Limited ("CCBI")), pursuant to the convertible note purchase agreement signed by them. The net proceeds of the CCBI CBs available to the Group was RMB230,128,425, after net-off of issuance costs of RMB553,075. The coupon interest rate of CCBI CBs is 7%, payable semi-annually in arrears on 1 March and 1 September in each year. The maturity date of the CCBI CBs will be the second anniversary of the issue date (i.e. September 2019) and the CCBI CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$0.306085 per share, subject to certain adjustments.

Unless previously redeemed, converted or cancelled in accordance with the conditions, the Company will redeem on the maturity date the entire outstanding principal amount of the convertible bonds to the aggregate of (i) the base redemption amount, (ii) 7% interest accrued and outstanding, (iii) any 15% default interest accrued and outstanding, (iv) a premium, which in the aggregate with the base redemption amount, will provide High Inspiring with an IRR of 12% per annum on the base redemption amount, calculated from the issue date of the convertible bonds to the date of such redemption, taking into account all interest paid on the convertible bonds and any accrued and outstanding interest under clause (ii) above but excluding any default interest paid or any default interest accrued and outstanding, and (v) any other payment accrued and outstanding to the holder pursuant to the transaction documents.

As a security to CCBI, CDH Fast Two Limited, the controlling shareholder of the Company, charged all its owned shares in the Company in favour of CCBI.

The fair value of the conversion option of the CCBI CBs upon issuance is calculated by binominal model based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers, and is treated as a derivative financial liability. The residual amount, representing the value of the host contract, is classified as other financial liability. The initially recognized derivative and host contract of the CCBI CBs amounted to RMB39,129,000 and RMB190,999,000 respectively after net-off of the issuance costs.

On 14 September 2017 and 3 October 2017, High Inspiring partially converted CCBI CBs with total principal amount of US$10,000,000. The Group allotted and issued a total of 253,197,640 shares to CCBI at the conversion price of HK$0.306085. The fair value of conversion option is RMB87,042,000 as at the conversion date, of which changes in fair value of RMB75,833,000 had been credited to profit of loss. As at 31 December 2017, the fair value of remaining conversion option was RMB159,973,000, of which changes in fair value of RMB132,198,000 had been charged into profit or loss.

16. CONVERTIBLE BONDS *(Continued)*

CCBI CBs *(Continued)*

After taking into account the abovementioned changes in fair value of the conversion option of CCBI CBs, the Group failed to comply with certain of the covenant requirements of the CCBI CBs as at 31 December 2017, including the amount of total equity attributable to the owners of the Company and the ratio of the consolidated total liabilities to the consolidated total assets of the Group. As set out in the convertible note purchase agreement, should the Group be unable to comply with the covenants, the remaining balances in relation to CCBI CBs would become payable on demand. Accordingly, the carrying amount of CCBI CBs of RMB305,260,000 is presented under current liabilities in the consolidated statement of financial position as at 31 December 2017.

Pursuant to relevant terms and conditions of CCBI CBs, the conversion price under CCBI CBs was adjusted from HK$0.306085 per share to HK$0.280511 per share as at 19 June 2018, upon the completion of the subscriptions.

As at 30 June 2018, the fair value of remaining conversion option was RMB72,604,000, of which changes in fair value of RMB(89,387,000) had been credited to profit or loss.

Haitong CBs

In July 2015, the Company issued redeemable convertible bonds (the "Haitong CBs") in the principal amount of US$25,000,000 (equivalent to RMB152,832,500) to Haitong International Financial Products Limited ("Haitong International"). The net proceeds of the Haitong CBs available to the Group was RMB152,676,500, after net-off of issuance costs of RMB156,000. The coupon interest rate of Haitong CBs is 6%, payable semi-annually in arrears on 13 January and 13 July in each year. The maturity date of the Haitong CBs will be the second anniversary of the issue date (i.e. July 2017) and the Haitong CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$3.00 per share, subject to certain adjustments.

The fair value of the conversion option of the Haitong CBs upon issuance is calculated by binominal model based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers, and is treated as a derivative financial liability. The residual amount, representing the value of the host contract, is classified as other financial liability. The initially recognised derivative and host contract of the Haitong CBs amounted to RMB23,723,000 and RMB128,954,000 respectively after net-off of the issuance costs. As at 31 December 2015, the fair value of conversion option was RMB5,869,000, of which changes in fair value of RMB19,330,200 had been credited to profit or loss.

16. CONVERTIBLE BONDS *(Continued)*

Haitong CBs *(Continued)*

On 27 January 2016, certain terms of Haitong CBs were either amended by the Company and Haitong International or changed as a result of the passage of time, resulting in satisfaction of designating as equity. Therefore, the Company reclassified the conversion option with a fair value of RMB1,619,000 from liability to equity.

On 13 September 2017, the Company redeemed all the Haitong CBs with an aggregate amount of US$29,590,000.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	CCBI CBs	Haitong CBs
Beginning of the period	**305,260**	183,834
Imputed interest expense	**15,954**	17,929
Paid interest expense	**(5,704)**	(5,186)
Fair value change of conversion option	**(89,387)**	–
Exchange realignment	**3,617**	(2,659)
End of period	**229,740**	193,918

17. Share capital

	Number of shares	**Amount**	
	'000	HK$'000	RMB'000
Balance at 1 January 2017	4,576,606	457,661	376,184
Conversion of convertible bonds	253,198	25,320	21,365
Share issued under share option scheme	10,968	1,097	932
Balance at 31 December 2017	4,840,772	484,078	398,481
Shares issued under subscription agreements	1,904,762	190,476	155,886
Balance at 30 June 2018	6,745,534	674,554	554,367

18. Reserves

	Share premium RMB'000	Statutory reserve fund RMB'000	Reorganisation reserve RMB'000	Enterprise expansion fund RMB'000	Convertible bonds reserve RMB'000	Others RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2018	**1,002,899**	**56,873**	**4,643**	**2,756**	**-**	**29,490**	**1,545**	**(28,062)**	**1,070,144**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,502**	**8,502**
Share issued under subscription agreements	**473,647**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**473,647**
Balance at 30 June 2018	**1,476,546**	**56,873**	**4,643**	**2,756**	**-**	**29,490**	**1,545**	**(19,560)**	**1,552,293**

	Share premium RMB'000	Statutory reserve fund RMB'000	Reorganisation reserve RMB'000	Enterprise expansion fund RMB'000	Convertible bonds reserve RMB'000	Others RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2017	876,899	55,151	4,643	2,756	1,619	31,368	1,545	(37,893)	936,088
Other comprehensive income for the period	–	–	–	–	–	–	–	3,129	3,129
Recognition of equity-settled of share based payments	–	–	–	–	–	1,081	–	–	1,081
Balance at 30 June 2017	876,899	55,151	4,643	2,756	1,619	32,449	1,545	(34,764)	940,298

19. Commitments

(a) Capital commitment

As at the end of the reporting period, capital commitments not provided for in the financial statements were as follow:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for	**10,451**	2,459
Authorised but not contracted for	**45,487**	59,774
End of period	**55,938**	62,233

(b) Operating lease commitment

As lessee

As at the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**50,967**	55,240
Over 1 year but within 5 years	**106,106**	128,402
Over 5 years	**17,790**	22,472
	174,863	206,114

19. Commitments *(Continued)*

(b) Operating lease commitment *(Continued)*

As lessor

As at 30 June 2018 and 31 December 2017, the Group leased out its investment property under operating leases.

As at the end of the reporting period, the Group's total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**2,142**	2,142
Over 1 year but within 5 years	**3,554**	4,247
Over 5 years	**756**	1,134
	6,452	7,523

20. Related party transactions

(a) Transactions with related parties

During the reporting period, there were no material transactions with related parties.

As at 30 June 2018, a non-controlling owner of a subsidiary granted the subsidiary collateral of creditor amounting to RMB15,183,000 (30 June 2017: RMB15,183,000) with his own properties.

As at 30 June 2018, a senior management member of the Company who is also a non-controlling owner of a subsidiary provided a guarantee, together with other guarantees, for a bank loan of RMB19,995,000 (30 June 2017: RMB15,000,000) of the subsidiary.

20. Related party transactions *(Continued)*

(b) Amounts due from related parties

As at the end of the reporting period, the Group had the following material account receivable balance with its related parties:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Car House	**24,262**	24,262
New Focus Richahaus	**12,362**	15,006
	36,624	39,268

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.

Assuming that the outstanding principal of the CCBC Convertible Notes of US$25,000,000 is fully converted at the adjusted conversion price of HK$0.280511 per share, subject to the amendments pursuant to the deed of waiver and amendments dated 25 April 2018 (the "**Amendments**") entered into between the Company, the Investor and CDH Fast Two Limited (further details of which are set out in the announcement of the Company dated 25 April 2018), an additional 476,703,895 shares will be issued to the Investor, which would cause the number of issued shares of the Company to increase from 6,745,533,695 to 7,222,237,590. The earnings per share of the Company for the six months ended 30 June 2018 would decrease from RMB0.01445 to RMB0.01444.

The shareholding structure of the Company (i) as at 30 June 2018 and (ii) immediately after full conversion of the outstanding principal of the CCBC Convertible Notes of US$25,000,000 at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments, is set out below:

Name of Shareholder	**As at 30 June 2018**		**Immediately after full conversion of the outstanding principal of the CCBC Convertible Notes of US$25,000,000 at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments**	
	Number of Shares	*Approximate percentage (%)*	*Number of Shares*	*Approximate percentage (%)*
CDH Fast Two Limited	2,889,580,226	42.84	2,889,580,226	40.01
High Inspiring Limited	244,797,640	3.63	721,501,535	9.99
Fame Mountain Limited	1,904,761,905	28.24	1,904,761,905	26.37
Other public shareholders	1,706,393,924	25.30	1,706,393,924	23.63
TOTAL ISSUED SHARES *(Note)*	6,745,533,695	100	7,222,237,590	100

Note: The approximate percentage of the issued shares is rounded to the nearest two decimal places and the total percentage of the total issued shares may not add up to 100% due to rounding.

As mentioned above, the Group continued to maintain a stable financial position and healthy liquidity of assets. The Group has the ability to meet its redemption obligations under the CCBC Convertible Notes.

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.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As of 30 June 2018, the interests and short positions of each of the directors (the "**Directors**") and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), were as follows:

Name	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives)	Number of underlying shares in respect of options granted	Total number of shares/ underlying shares under equity derivatives	Percentage of issued shares
Mr. Lin Ming	Beneficial Owner	–	16,666,668(L)	16,666,668(L)	0.25%

Note:

The letter "L" denotes a long position in underlying shares.

Save as disclosed above, as at 30 June 2018, to the best knowledge of the Directors and chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as the Directors and chief executives of the Company are aware, as at 30 June 2018, the interests and short positions of the following persons, other than the Directors and chief executives of the Company, in the shares and underlying shares of the Company, as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
CDH Fast Two Limited *(Note 2)*	Beneficial owner	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
CDH Fast One Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
CDH Fund IV, L.P. *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
CDH IV Holdings Company Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
China Diamond Holdings IV, L.P. *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
China Diamond Holdings Company Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
High Inspiring Limited	Person having a security interest in shares *(Note 4)*	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
	Beneficial Owner *(Note 5)*	244,797,640 (L)	476,703,895 (L)	721,501,535 (L)	10.70%
CCBI Investments Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
	Interest in a controlled corporation	244,797,640 (L)	476,703,895 (L)	721,501,535 (L)	10.70%

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
CCB International (Holdings) Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
	Interest in a controlled corporation	244,797,640 (L)	476,703,895 (L)	721,501,535 (L)	10.70%
CCB Financial Holdings Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226(L)	–	2,889,580,226 (L)	42.84%
	Interest in a controlled corporation	244,797,640 (L)	476,703,895 (L)	721,501,535 (L)	10.70%
CCB International Group Holdings Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
	Interest in a controlled corporation	244,797,640 (L)	476,703,895 (L)	721,501,535 (L)	10.70%

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
China Construction Bank Corporation *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
	Interest in a controlled corporation	244,797,640 (L)	476,703,895 (L)	721,501,535 (L)	10.70%
Central Huijin Investment Ltd. *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.84%
	Interest in a controlled corporation	244,797,640 (L)	476,703,895 (L)	721,501,535 (L)	10.70%
Fame Mountain Limited *(Note 7)*	Beneficial owner	1,904,761,905 (L)	–	1,904,761,905 (L)	28.24%
Mo Keung *(Note 8)*	Interest in a controlled corporation	1,904,761,905 (L)	–	1,904,761,905 (L)	28.24%

Notes:

1. The letter "L" denotes a long position in the shares.

2. CDH Fast Two Limited entered into an investment agreement (the "**Investment Agreement**") with the Company on 25 June 2013 pursuant to which CDH Fast Two Limited agreed to subscribe for 1,262,564,333 new shares and convertible bonds (the "**Convertible Bonds**") in principal amount of US$48,685,000 issued by the Company. Transactions contemplated under the Investment Agreement were completed on 28 August 2013. On 12 June 2014, pursuant to a partial conversion of the Convertible Bonds in the principal amount of US$24,342,500, the Company allotted and issued a total of 813,507,946 shares to CDH Fast Two Limited at the conversion price of HK$0.2328 per share. On 28 December 2015, pursuant to the full conversion of the remaining Convertible Bonds, the Company allotted and issued 813,507,947 shares at the conversion price of HK$0.2328 per share to CDH Fast Two Limited.

3. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); CDH Fund IV, L.P. (as the sole shareholder of CDH Fast One Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be indirectly interested in the Company under the SFO.

4. As disclosed in the announcement of the Company dated 21 August 2017, the Company entered into a convertible note purchase agreement (the "**Convertible Note Purchase Agreement**") with High Inspiring Limited, pursuant to which the Company has conditionally agreed to issue and High Inspiring Limited has conditionally agreed to purchase the CCBC Convertible Notes. As a condition of the Convertible Note Purchase Agreement, CDH Fast Two Limited entered into a share charge with High Inspiring Limited pursuant to which CDH Fast Two Limited, being the controlling shareholder of the Company, charged 2,889,580,226 shares held by it to High Inspiring Limited.

5. Pursuant to the Convertible Note Purchase Agreement, the CCBC Convertible Notes are convertible at the initial conversion price of HK$0.306085 per share (subject to adjustment) and will be convertible into approximately 886,191,744 shares upon its full conversion. Pursuant to the partial conversion of the CCBC Convertible Notes in an aggregate principal amount of US$10,000,000 at the conversion price of HK$0.306085 per share, the Company allotted and issued a total of 253,197,640 shares, of which 8,400,000 shares were subsequently disposed of by High Inspiring Limited.

   The Company, High Inspiring Limited and CDH Fast Two Limited entered into the Amendments to amend the terms and conditions in relation to the CCBC Convertible Notes.

   Upon completion of the Subscription as stated on note 7, the conversion price under the CCBC Convertible Notes has been adjusted from HK$0.306085 per share to HK$0.280511 per share.

   Assuming that the remaining amount of the CCBC Convertible Notes will be fully converted at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments, an additional 476,703,895 shares will be issued to High Inspiring Limited.

6. Each of CCBI Investments Limited (as the sole shareholder of High Inspiring Limited); CCB International (Holdings) Limited (as the sole shareholder of CCBI Investments Limited); CCB Financial Holdings Limited (as the sole shareholder of CCB International (Holdings) Limited; CCB International Group Holdings Limited (as the sole shareholder of CCB Financial Holdings Limited); China Construction Bank Corporation (as the sole shareholder of CCB International Group Holdings Limited); and Central Huijin Investment Ltd. (as the controlling shareholder of China Construction bank Corporation) is deemed to be indirectly interested in the Company under the SFO.

7. Fame Mountain Limited entered into the Subscription Agreement with the Company, pursuant to which the Company conditionally agreed to allot and issue, and Fame Mountain Limited agreed to subscribe for an aggregate of 1,904,761,905 subscription shares at the subscription price of HK$0.42 per subscription share. Completion of the Subscription (the "**Completion**") took place on 19 June 2018. Upon Completion, an aggregate of 1,904,761,905 subscription shares have been duly allotted and issued to Fame Mountain Limited at the subscription price of HK$0.42 per subscription share.

8. Mo Keung (as the sole director and sole shareholder of Fame Mountain Limited) is deemed to be indirectly interested in the Company under the SFO.

Save as disclosed above, the Directors are not aware of any person, other than the Directors or chief executives of the Company, who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2018.

Share Option Scheme

The Company terminated the old share option scheme and adopted a new share option scheme (the "**Scheme**") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. A summary of the principle terms of the Scheme was included in the circular dispatched to the shareholders on 30 April 2014.

The total number of shares available for issue under the Scheme is 376,116,501, representing approximately 10% of the total issued share capital of the Company as at the date of approval of the Scheme. As at 30 June 2018, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 92,710,723 shares. The total number of shares available for issue under the Scheme (excluding share options already granted) is 270,504,587, representing approximately 4.01% of the total issued share capital of the Company as at that date.

As of 30 June 2018, details of the share options granted under the Scheme are as follows:

Name of option holder	Date of grant	Exercise period	Exercise price (per share)	Closing price on date of grant (per share)	Number of underlying shares subject to outstanding options as at 1 January 2018	Number of underlying shares subject to options granted since 1 January 2018	Number of underlying shares subject to options exercised/ lapsed/ cancelled since 1 January 2018	Number of underlying shares subject to outstanding options as at 30 June 2018
Mr. Lin Ming *(Note 1)*	14 October 2014	15 October 2014 to 14 October 2019	HK$0.50	HK$0.50	16,666,668	–	–	16,666,668
Ms. Hung Ying-Lien *(Note 2)*	14 October 2014	15 October 2014 to 14 October 2019	HK$0.50	HK$0.50	11,959,435	–	–	11,959,435
Continuous contractual employees (in aggregate)	14 October 2014	15 October 2014 to 14 October 2019	HK$0.50	HK$0.50	64,084,620	–	–	64,084,620
Total					92,710,723	–	–	92,710,723

Notes:

1. Mr. Lin Ming was appointed as chief executive officer of the company with effect from 15 September 2017.

2. Ms. Hung Ying-Lien resigned as an executive Director and the chief financial officer of the Company with effect from 28 August 2013 and was appointed as vice president and chief operating officer of the Company.

OTHER INFORMATION

Arrangements to Purchase Shares or Debentures

Save as disclosed under the section headed "Share Option Scheme", at no time during the Period were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries were a party that would enable the Directors to acquire such rights in any other body corporate.

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.

Changes in Information of Directors

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2017 Annual Report are set out below:

Name of Director	**Details of Changes**
Mr. Du Jinglei	– Appointed as the general manager of Dr. Peng Telecom and Media Group Co., Ltd. (鵬博士電信傳媒集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600804) with effect from 2 July 2018.
Mr. Li Ngai	– Resigned as a non-executive Director, with effect from 27 July 2018.
Mr. Lin Lei	– Resigned as an independent non-executive director of CAR Inc. (神州租車有限公司) (Stock Code: 699), with effect from 27 February 2018.

OTHER INFORMATION

Corporate Governance

In the opinion of the Directors, the Company complied with the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 of the Listing Rules during the Period.

As at the date of this interim report, the Company had 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

Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**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. With specific enquiries made to all the Directors by the Company, all the 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

As at the date of this interim report, the Audit Committee comprised Mr. Hu Yuming, Mr. Lin Lei and Mr. Wang Zhenyu. Mr. Hu Yuming and Mr. Lin Lei are independent non-executive Directors, and Mr. Wang Zhenyu is a non-executive Director. 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 report has not been audited but has been reviewed by the Audit Committee.

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

Hong Kong, 30 August 2018