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## **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)**

### **UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

For the reasons explained below under “Review of Unaudited Annual Results”, the audit process for the annual results of New Focus Auto Tech Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 has not been completed. In the meantime, the board (the “**Board**”) of directors (the “**Directors**”) of the Company announces hereby the unaudited consolidated results of the Group for the year ended 31 December 2019 (the “**Year**”) together with the comparative figures for the previous year as follows:

\* For identification purposes only

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	2018 <i>RMB'000</i> (Restated) (Audited)
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>1,750,632</b>	1,412,883
Cost of sales and services		<u><b>(1,610,550)</b></u>	<u>(1,252,705)</u>
<b>Gross profit</b>		<b>140,082</b>	160,178
Other revenue and gains and losses, net	5	<b>14,324</b>	244,653
Distribution costs		<b>(169,649)</b>	(122,477)
Administrative expenses		<b>(115,827)</b>	(106,858)
Finance costs	6	<b>(63,390)</b>	(42,655)
Share of loss of an associate		<u>–</u>	<u>(159)</u>
<b>(Loss)/profit before taxation from continuing operations</b>	7	<b>(194,460)</b>	132,682
Income tax	8	<u><b>33,804</b></u>	<u>(2,314)</u>
(Loss)/profit for the year from continuing operations		<b>(160,656)</b>	130,368
<b>Discontinued operation</b>			
Loss for the year from discontinued operations		<u><b>(31,161)</b></u>	<u>(76,563)</u>
<b>(Loss)/profit for the year</b>		<u><b>(191,817)</b></u>	<u>53,805</u>
<b>Other comprehensive (loss)/income for the year, net of income tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(4,427)</b>	20,190
<i>Items that will not be reclassified to profit or loss:</i>			
Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		<u><b>(8,016)</b></u>	<u>30,933</u>
<b>Other comprehensive (loss)/income for the year</b>		<u><b>(12,443)</b></u>	<u>51,123</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><b>(204,260)</b></u>	<u>104,928</u>

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME** *(Continued)*

*For the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	2018 RMB'000 (Restated) (Audited)
<b>(Loss)/profit for the year attributable to equity shareholders of Company</b>			
– from continuing operations		<b>(147,057)</b>	146,038
– from discontinued operations		<b>(25,532)</b>	(38,205)
		<b>(172,589)</b>	107,833
<b>Non-controlling interests</b>			
– from continuing operations		<b>(13,599)</b>	(15,670)
– from discontinued operations		<b>(5,629)</b>	(38,358)
		<b>(19,228)</b>	(54,028)
		<b>(191,817)</b>	53,805
<b>Total comprehensive (loss)/income attributable to equity shareholders of Company</b>			
– from continuing operations		<b>(159,500)</b>	197,161
– from discontinued operations		<b>(25,532)</b>	(38,205)
		<b>(185,032)</b>	158,956
<b>Non-controlling interests</b>			
– from continuing operations		<b>(13,599)</b>	(15,670)
– from discontinued operations		<b>(5,629)</b>	(38,358)
		<b>(19,228)</b>	(54,028)
		<b>(204,260)</b>	104,928
<b>(Loss)/earnings per share:</b>			
Basic and dilutes (RMB cents)	<i>10</i>		
– from continuing operations		<b>(2.17)</b>	2.49
– from discontinued operations		<b>(0.38)</b>	(0.65)
		<b>(2.55)</b>	1.84

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in Renminbi)

	31 December 2019	31 December 2018
Note	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	104,762	234,588
Right-of-use assets	130,262	–
Leasehold land and land use rights	–	28,083
Investment properties	48,639	46,481
Goodwill	–	43,919
Other intangible assets	2,663	48,578
Amounts due from related parties	24,262	24,262
Deferred tax assets	42,866	18,498
Financial assets at fair value through other comprehensive income	36,216	44,232
Other non-current assets	–	6,010
	389,670	494,651
<b>Current assets</b>		
Inventories	202,808	516,886
Tax recoverable	1,479	2,400
Trade receivables	11 146,661	221,238
Deposits, prepayments and other receivables	1,121,088	517,206
Amounts due from related parties	13,547	678,816
Pledged time deposits	–	4,500
Cash and cash equivalents	64,697	134,460
	1,550,280	2,075,506
<b>Current liabilities</b>		
Bank and other borrowings, secured	489,982	552,309
Trade payables	12 238,927	316,168
Accruals and other payables	171,616	218,444
Contract liabilities	82,016	214,320
Amount due to related parties	–	66,523
Lease liabilities	12,329	–
Tax payable	4,106	12,439
Convertible bonds	–	182,520
	998,976	1,562,723
<b>Net current assets</b>	551,304	512,783
<b>Total assets less current liabilities</b>	940,974	1,007,434

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*  
*At 31 December 2019*  
*(Expressed in Renminbi)*

	<i>Note</i>	<b>31 December 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		<b>105,630</b>	–
Deferred tax liabilities		<b>10,855</b>	22,010
		<b>116,485</b>	22,010
<b>NET ASSETS</b>		<b>824,489</b>	985,424
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	<b>556,286</b>	556,286
Reserves		<b>252,501</b>	443,162
Total equity attributable to equity shareholders of the Company		<b>808,787</b>	999,448
Non-controlling interests		<b>15,702</b>	(14,024)
<b>TOTAL EQUITY</b>		<b>824,489</b>	985,424

## NOTES TO THE 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 trading of automobile accessories and operating the 4S dealership stores and related business. The Company and its subsidiaries are collectively referred to as the Group.

The directors of the Company (the “**Directors**”) regard CDH Fast Two Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) as the immediate holding company, and China Diamond Holdings Company Limited, a company incorporated in BVI as the ultimate holding company.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

These unaudited consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

#### (b) Basis of preparation of the financial statements

The unaudited consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at fair value as explained in the accounting policies set out below:

- Investment properties;
- Financial assets at fair value through other comprehensive income; and
- Derivative financial instruments included in convertible bonds.

#### (c) Functional and presentation currency

The financial statements are presented in Renminbi (“**RMB**”), which is the currency of the primary economic environment in which the major entities of the Group operate. The functional currency of the Company is US dollar.

### 3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“ISAB”) for the first time in the current year:

IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRSs (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatment

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

#### IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases (“IAS 17”), and the related interpretations.

##### *Definition of a lease*

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

##### *As a lessor*

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

*As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;
- (iii) relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination option.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.83% to 4.61%.



The following table reconciles the operating lease commitment as disclosed in annual report as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<b>As at 1 January 2019 RMB'000 (Unaudited)</b>
Lease liabilities as at 1 January 2019	<u>229,921</u>
Analysed as:	
Current	46,708
Non-current	<u>183,213</u>
Lease liabilities as at 1 January 2019	<u>229,921</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 1 January 2019.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<b>As at 1 January 2019 RMB'000 (Unaudited)</b>
Right-of-use assets relating to operating leases recognized	
Upon application of IFRS 16	229,921
Add: reclassification from leasehold land and land use rights	<u>28,083</u>
	<u>258,004</u>
<b>By class:</b>	
Rental premises	229,921
Leasehold land and land use rights	<u>28,083</u>
	<u>258,004</u>

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

Unaudited Consolidated Statement of Financial Position (extracted)	Carrying amount previously reported at 31 December 2018 <i>RMB'000</i> (Audited)	Reclassification <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Carrying amount under IFRS 16 at 1 January 2019 <i>RMB'000</i> (Unaudited)
<b>Non-current assets</b>				
Right-of-use assets ( <i>note 1</i> )	–	28,083	229,921	258,004
Leasehold land and land use rights ( <i>note 2</i> )	28,083	(28,083)	–	–
<b>Current liabilities</b>				
Lease liabilities	–	–	46,708	46,708
<b>Non-current liabilities</b>				
Lease liabilities	–	–	183,213	183,213

*Note:*

- (1) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets of RMB229,921,000 and lease liabilities of RMB229,921,000 at the initial adoption of IFRS 16.
- (2) Upfront payments for leasehold land and land use rights in the PRC own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of IFRS 16, the prepaid land lease payments amounting of RMB28,083,000 were classified to right-of-use assets.

#### **New and amendments to IFRSs that have been issued but are not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IAS 1 and IAS 8 (Amendments)	Definition of Material <sup>1</sup>
IFRS 3 (Amendments)	Definition of a Business <sup>2</sup>
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to IFRSs, a revised “Conceptual Framework for Financial Reporting” was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework” in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 4. REVENUE AND SEGMENT INFORMATION

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

##### Continuing operations:

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Restated) (Audited)
Sales of goods	1,528,631	1,322,195
Services income	222,001	90,688
	<u>1,750,632</u>	<u>1,412,883</u>

The Group derives revenue from sales of goods at a point in time are presented as follow:

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Restated) (Audited)
<i>Recognised at a point in time:</i>		
– Sale of goods	1,528,631	1,322,195
– Service income	222,001	90,688
Total	<u>1,750,632</u>	<u>1,412,883</u>

##### (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.

##### Continuing operations

The Group operates in three reportable segments: (i) the manufacture and sale of automobile accessories (the “**Manufacturing Business**”); (ii) trading of automobile accessories (the “**Wholesale Business**”); and (iii) operating the 4S dealership stores and related business (the “**Automobile Dealership and Service Business**”).

During the year ended 31 December 2019, the segment of provision of automobile repair maintenance and restyling services (the “**Retail Service Business**”) was discontinued.

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:

	Continuing operations						Discontinued operations					
	The Manufacturing Business		The Wholesale Business		Automobile Dealership and Service Business		Sub-total		The Retail Service Business		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
External revenue	468,050	595,182	61,285	234,747	1,221,297	582,954	1,750,632	1,412,883	212,076	379,665	1,962,708	1,792,548
Inter-segment revenue	-	77	-	4	-	-	-	81	-	-	-	81
Segment revenue	<b>468,050</b>	<b>595,259</b>	<b>61,285</b>	<b>234,751</b>	<b>1,221,297</b>	<b>582,954</b>	<b>1,750,632</b>	<b>1,412,964</b>	<b>212,076</b>	<b>379,665</b>	<b>1,962,708</b>	<b>1,792,629</b>
Reportable segment results	<b>(27,483)</b>	<b>3,860</b>	<b>(15,019)</b>	<b>(29,218)</b>	<b>(102,512)</b>	<b>5,206</b>	<b>(145,014)</b>	<b>(20,152)</b>	<b>(20,535)</b>	<b>(52,431)</b>	<b>(165,545)</b>	<b>(72,583)</b>
Interest income	1,995	740	32	137	604	168	2,631	1,045	100	451	2,731	1,496
Unallocated interest income							1,110	60,644			1,110	60,644
Total interest income							<b>3,741</b>	<b>61,689</b>			<b>3,841</b>	<b>62,140</b>
Interest expenses	(1,142)	(1,097)	(102)	-	(23,835)	(2,947)	(25,079)	(4,044)	(7,013)	(853)	(32,092)	(4,897)
Unallocated interest expenses							(38,311)	(38,611)			(38,311)	(38,611)
Total interest expenses							<b>(63,390)</b>	<b>(42,655)</b>			<b>(70,403)</b>	<b>(43,508)</b>
Depreciation and amortisation charges	(15,037)	(11,578)	(2,786)	(1,864)	(13,234)	(4,039)	(31,057)	(17,481)	(56,470)	(26,985)	(87,527)	(44,466)
Unallocated depreciation and amortisation charges							(2,677)	(1,473)			(2,677)	(1,473)
Total depreciation and amortisation charges							<b>(33,734)</b>	<b>(18,954)</b>			<b>(90,204)</b>	<b>(45,939)</b>
Reportable segment assets	323,921	424,736	41,027	85,600	1,164,724	1,351,099	1,529,672	1,861,435	-	361,459	1,529,672	2,222,894
Additions to non-current assets	17,043	11,751	592	871	15,737	15,161	33,372	27,783	4,069	26,083	37,441	53,866
Unallocated additions to non-current assets							7	712			7	712
Total additions to non-current assets							<b>33,379</b>	<b>28,495</b>			<b>37,448</b>	<b>54,578</b>
Reportable segment liabilities	350,332	352,558	25,142	54,230	552,395	671,177	927,869	1,077,965	-	304,113	927,869	1,382,078

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

**Continuing operations:**

	<b>2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	2018 <i>RMB'000</i> (Restated) (Audited)
<b>(Loss)/gain before taxation</b>		
Reportable segment loss	<b>(145,014)</b>	(20,152)
Unallocated other revenue and gains and losses, net	<b>12,452</b>	222,003
Unallocated corporate expenses	<b>(23,587)</b>	(30,558)
Unallocated finance costs	<b>(38,311)</b>	(38,611)
	<hr/>	<hr/>
Consolidated (loss)/profit before taxation	<b>(194,460)</b>	132,682
	<hr/>	<hr/>
	<b>31 December</b> <b>2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	31 December 2018 <i>RMB'000</i> (Audited)
<b>Assets:</b>		
Reportable segment assets	<b>1,529,672</b>	2,222,894
Unallocated corporate assets	<b>410,278</b>	347,263
	<hr/>	<hr/>
Consolidated total assets	<b>1,939,950</b>	2,570,157
	<hr/>	<hr/>
<b>Liabilities:</b>		
Reportable segment liabilities	<b>927,869</b>	1,382,078
Unallocated corporate liabilities	<b>187,592</b>	202,655
	<hr/>	<hr/>
Consolidated total liabilities	<b>1,115,461</b>	1,584,733
	<hr/>	<hr/>

For the purposes of resource allocation and performance assessment between segments:

- all expenses are allocated to reportable segments, other than partial administrative expense and partial other operating expenses; and
- all assets are allocated to reportable segments, other than partial deposit, prepayment and other receivables, partial cash and bank balance, partial property, plant and equipment, amount due from related parties, partial right of use assets and financial assets at FVTOCI; and
- all liabilities are allocated to reportable segments, other than partial bank and other borrowings, partial accruals and other payables, current lease liabilities and non-current lease liabilities.

(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, right-of-use assets, leasehold land and land use rights, other intangible assets and goodwill ("specified non-current assets"):

	Revenue from external customers		Specified non-current assets	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated) (Audited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
PRC (Place of domicile)	1,400,043	956,453	286,326	401,649
America	299,446	402,623	–	–
Europe	17,381	19,772	–	–
Asia Pacific	33,762	34,035	–	–
	<u>1,750,632</u>	<u>1,412,883</u>	<u>286,326</u>	<u>401,649</u>

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

(d) **Major customers**

During the year, the Group's customer base is diversified and there was no customer (2018: Nil) with whom transactions exceeded 10% of the Group's revenue.

5. **OTHER REVENUE AND GAINS AND LOSSES, NET**

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated) (Audited)
<b>Continuing operation:</b>		
Fair value change of conversion option	13,624	152,588
Gain on bargain purchase	–	13,837
Exchange gain, net	2,021	12,098
Interest income	3,741	61,688
Fair value gains on investment properties	2,158	83
Gross rentals from investment properties and other rental income	3,072	2,455
Gain/(loss) on disposal of property, plant and equipment	572	(777)
Government subsidies	3,486	1,122
Written-off of other receivable	(15,000)	–
Others	650	1,559
	<u>14,324</u>	<u>244,653</u>

## 6. FINANCE COSTS

	<b>2019</b> <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Restated) (Audited)
<b>Continuing operation:</b>		
Interests on convertible bonds	24,298	33,006
Interests on note exchange	7,672	–
Interests on bank and other borrowings repayable within five years	25,933	9,649
Interests on lease liabilities	5,487	–
	<u>63,390</u>	<u>42,655</u>

## 7. (LOSS)/PROFIT BEFORE TAXATION

### Continuing operation:

(Loss)/Profit before taxation is arrived at after charging:

	<b>2019</b> <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Restated) (Audited)
Cost of inventories*	1,609,971	1,252,266
Write-down of inventories	579	439
	<u>1,610,550</u>	<u>1,252,705</u>
Depreciation of property, plant and equipment	22,808	18,460
Depreciation of right-of-use assets	10,926	–
Amortisation of leasehold land and land use rights	–	494
	<u>33,734</u>	<u>18,954</u>
Total depreciation and amortisation charges		
Allowance for credit losses on trade receivables, other receivables and related parties	17,145	9,131
Auditors' remuneration		
– audit services	2,930	2,930
– other services	–	3,750
Operating lease charges	–	12,839
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	152,645	128,999
Retirement scheme contributions	19,057	19,268
Other benefits	2,363	12,250
	<u>174,065</u>	<u>160,517</u>
Total employee benefit expenses		

\* Costs of inventories includes RMB46,422,000 (unaudited) (2018: RMB61,208,000 (audited)) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

## 8. INCOME TAX

- (a) Income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	2018 <i>RMB'000</i> (Audited)
<b>Current Tax</b>		
Provision for the year	<b>21,715</b>	8,923
(Over) provision in respect of prior year	<b>(12,236)</b>	(4,375)
	<b>9,479</b>	4,548
<b>Deferred tax</b>		
Origination and reversal of temporary differences, net	<b>(42,605)</b>	23,416
	<b>(33,126)</b>	27,964
Continuing operations	<b>(33,804)</b>	2,314
Discontinued operations	<b>678</b>	25,650
	<b>(33,126)</b>	27,964

- (b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2019 and 2018. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC income tax rate is 25% (2018: 25%) for the year. One major PRC subsidiary of the Company, renewed the qualification of high and new technology enterprise in the PRC, is entitled to a preferential income tax rate of 15% (2018: 15%) for three years from 1 January 2018.

## 9. DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil). No interim dividend (unaudited) was declared in respect of the year ended 31 December 2019 (2018: Nil (audited)).

## 10. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

#### *Continuing and discontinued operations*

The computation of the basic loss per share amount from continuing and discontinued operations are based on the loss for the year attributable to ordinary equity holders of the Company from continuing and discontinued operations of RMB172,589,000 (unaudited) (2018: profit attributable to ordinary equity shareholder of the Company RMB107,833,000 (audited)) and the weighted average number of ordinary shares of 6,767,636,000 (unaudited) (2018: 5,870,809,000 (audited)) during the year.

For the years ended 31 December 2019 and 2018, basic and diluted (loss)/earnings per share from continuing and discontinued operations were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.



### *Continuing operations*

The computation of the basic loss per share amount from continuing operations are based on the loss for the year attributable to ordinary equity holders of the Company from continuing operations of RMB147,057,000 (unaudited) (2018: profit attributable to ordinary equity shareholder of the Company RMB146,038,000 (audited)) and the weighted average number of ordinary shares of 6,767,636,000 (unaudited) (2018: 5,870,809,000 (audited)) during the year.

For the years ended 31 December 2019 and 2018, basic and diluted (loss)/earnings per share from continuing operations were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.

### *Discontinued operations*

The computation of the basic loss per share amount from discontinued operations are based on loss for the period attributable to ordinary equity holders of the Company from discontinued operations of RMB25,532,000 (unaudited) (2018: RMB38,205,000 (audited)) and the weighted average number of ordinary shares of 6,767,636,000 (unaudited) (2018: 5,870,890,000 (audited)) during the year.

For the years ended 31 December 2019 and 2018, basic and diluted (loss)/earnings per share from discontinued operations were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.

## **11. TRADE RECEIVABLES**

### **Trade receivables**

	<b>31 December 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade receivables	<b>153,681</b>	238,805
Less: allowance for credit losses	<b>(7,020)</b>	(17,567)
	<b><u>146,661</u></b>	<u>221,238</u>

- (i) The credit period to the Group's customers ranged from 0 to 360 days.
- (ii) The ageing analysis of trade receivables at the end of reporting period by invoice date is as follows:

	<b>31 December 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Current to 30 days	<b>52,102</b>	75,828
31 to 60 days	<b>33,439</b>	76,308
61 to 90 days	<b>12,278</b>	18,051
Over 90 days	<b>55,862</b>	68,618
	<b>153,681</b>	238,805
Less: allowance for credit losses	<b>(7,020)</b>	(17,567)
	<b>146,661</b>	221,238

## 12. TRADE PAYABLES

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

	<b>31 December 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Current to 30 days	<b>135,245</b>	140,018
31 to 60 days	<b>18,268</b>	39,870
61 to 90 days	<b>13,474</b>	38,656
Over 90 days	<b>71,940</b>	97,624
	<b>238,927</b>	316,168

The average credit period for the Group's trade creditors is 60 days.

### 13. SHARE CAPITAL

	2019		2018	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
Authorised Ordinary shares of HK\$0.1 each	<b>10,000,000</b>	<b>10,000,000</b>	10,000,000	10,000,000

	2019			2018		
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Amount RMB'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)	Amount RMB'000 (Audited)
Issued and fully paid:						
At the beginning of the year	<b>6,767,636</b>	<b>676,764</b>	<b>556,286</b>	4,840,772	484,078	398,481
Conversion of convertible bonds	-	-	-	22,102	2,210	1,919
Share issued under subscription agreement	-	-	-	1,904,762	190,476	155,886
At the end of the year	<b>6,767,636</b>	<b>676,764</b>	<b>556,286</b>	6,767,636	676,764	556,286

### 14. COMPARATIVES

The comparative statement of profit or loss has been restated as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

In 2019, the Group focused on the research and development, manufacturing and sales of automotive electronic products, as well as construction and development of automobile dealership networks, individual automotive service chain networks and automotive product e-commerce platforms. The automotive electronic products that the Group produces mainly include inverters, chargers, multi-functional power packs and cooling and heating boxes, which are mainly sold to the markets of Mainland China, North America and Europe. The Group's automobile dealership and services business is operated mainly in Inner Mongolia Autonomous Region for automobile sales, automotive after-sales service, as well as the distribution of car insurance products and automobile financial products. The retail service stores under the individual automotive service chain networks of the Group, which are primarily urban gas station stores, provide car owners with automotive cleaning, beauty, maintenance, spraying and repair services, as well as the sales of automotive products. The automotive product e-commerce platform of the Group provides customers with the purchase, delivery and warehousing services of automotive repair parts and components and automotive products.

### Results Highlights

#### *Revenue*

During the Year, the consolidated revenue from continuing operations of the Group amounted to approximately RMB1,750,632,000 (unaudited) (2018: RMB1,412,883,000 (audited)), representing an increase of approximately 23.90%. The increase was mainly due to the fact that the Group completed the acquisition of the automobile dealership and services business in September 2018 (the “**Automotive Dealership Business Acquisition**”), and the consolidated revenue consolidated into the Group's financial statements for 2019 has increased by approximately RMB638,343,000 (unaudited) as compared with the consolidated revenue consolidated into the Group's financial statements for the last three months of 2018. Excluding the effect of the above, the consolidated revenue of the Group would have decreased by approximately RMB300,594,000 (unaudited) or approximately 36.22% as compared with 2018.

The consolidated revenue of the wholesale service business of the Group was approximately RMB61,285,000 (unaudited) (2018: RMB234,747,000 (audited)), representing a decrease of approximately 73.89%. The decrease was primarily due to the business model adjustments during the Year where the tire sales business, which contributed high sales revenue but with low profit margin, was discontinued in order to focus on expanding the asset-light “Auto Make” e-commerce platform business.

The consolidated revenue of the manufacturing business of the Group was approximately RMB468,050,000 (unaudited) (2018: RMB595,182,000 (audited)), representing a decrease of approximately 21.36%, which was mainly attributable to the impact of the China-US trade war that resulted in a decrease in export sales revenue.

The consolidated revenue of the Group's automobile dealership and services business was approximately RMB1,221,297,000 (unaudited) (2018: RMB582,954,000 (audited)), representing an increase of approximately 109.50%, which was mainly attributable to an

increase in the consolidated revenue consolidated into the Group's financial statements for 2019 as compared with the consolidated revenue consolidated into the Group's financial statements for the last three months of 2018. The diminishing growth of China's macroeconomy and the China-US trade war brought negative impact on consumer confidence and sentiment. In particular, the demand for new automobiles and relevant automotive products and services was generally weakened during the Year as compared to 2018 and thereby leading to worsening results of the automobile dealership and services industry as a whole. As a result, the automotive dealership and services business of the Group experienced a sluggish performance in the Year as compared to 2018.

#### *Gross profit and gross profit margin*

The consolidated gross profit from continuing operations for the Year was approximately RMB140,082,000 (unaudited) (2018: RMB160,178,000 (audited)), representing a decrease of approximately 12.55%. The gross profit margin decreased from 11.34% (audited) to 8.00% (unaudited). The decrease in gross profit was mainly attributable to the decrease in consolidated revenue of the wholesale service business and manufacturing business for the Year as compared with 2018. The decrease in gross profit margin was mainly due to the Automotive Dealership Business Acquisition as the gross profit margin of the Group's automotive dealership and services business was generally lower than the gross profit margin of the Group's other businesses, and therefore resulting in a decline in the gross profit margin of the Group's overall business.

The gross profit of the Group's wholesale service business was approximately RMB10,757,000 (unaudited) (2018: RMB18,990,000 (audited)), representing a decrease of approximately 43.35%. The gross profit margin increased from approximately 8.09% (audited) to approximately 17.55% (unaudited). The decrease in gross profit was mainly attributable to the decrease in revenue during the Year as compared to 2018. The increase in gross profit margin was mainly attributable to the cessation of the tire sales business which contributed low margin.

The gross profit of the Group's manufacturing business was approximately RMB72,553,000 (unaudited) (2018: RMB94,774,000 (audited)), representing a decrease of approximately 23.45%. The gross profit margin decreased from approximately 15.92% (audited) to approximately 15.50% (unaudited). The decrease in both the gross profit and gross profit margin was mainly attributable to the decline in revenue from export sales due to the China-US trade war and the increase in raw materials and labor costs.

The gross profit of the Group's automotive dealership and services business was approximately RMB56,772,000 (unaudited) (2018: RMB46,414,000 (audited)), representing an increase of approximately 22.32%. The gross profit margin decreased from approximately 7.96% (audited) to approximately 4.65% (unaudited). The increase in gross profit was mainly due to the increase in gross profit consolidated into the Group's financial statements for 2019 as compared with the gross profit consolidated into the Group's financial statements for the last three months of 2018. The performance of the Group's automotive dealership and services business during the Year was weakened due to the bearish consumer confidence and sentiment during the Year as compared to 2018. The decrease in gross profit margin was mainly due to the decline in the profit of new automotive sales as a result of the overall downturn in China's automotive sales industry during the Year.

### *Other revenue and gains and losses*

Other gains from continuing operations for the Year was approximately RMB14,324,000 (unaudited) (2018: gain of RMB244,653,000 (audited)). The decrease was mainly due to the fair value change in the embedded derivative financial instruments in relation to the convertible notes in the principal amount of USD35,000,000 due in 2019 (the “**CCBC Convertible Notes**”) of the Company, which was issued to High Inspiring Limited (the “**Investor**”, an indirect wholly-owned subsidiary of China Construction Bank Corporation) on 1 September 2017, resulting in a decrease of approximately RMB138,964,000 (unaudited) in the gain due to fair value change in derivative financial instruments recorded during the Year as compared with 2018 (the “**Difference in Fair Value Change in Derivative Financial Instruments**”). Secondly, during the Year, interest income recorded from loans made by the Group to several third-party companies decreased by approximately RMB57,584,000 (unaudited) as compared to 2018 (the “**Interest Income Difference**”). In addition, in 2018, negative goodwill amounting to approximately RMB13,837,000 (audited) was recorded as the consideration for the Automotive Dealership Business Acquisition was lower than the fair value of the net assets, while there was no such negative goodwill this Year.

### *Expenses*

The distribution costs from continuing operations for the Year were approximately RMB169,649,000 (unaudited) (2018: RMB122,477,000 (audited)), representing an increase of approximately 38.51%, which was mainly attributable to the fact that distribution costs consolidated into the Group’s financial statements for 2019 incurred by the Group’s automotive dealership and services business has increased by approximately RMB57,206,000 (unaudited) as compared with its distribution costs consolidated into the Group’s financial statements for the last three months of 2018. Excluding the effect of the Automotive Dealership Business Acquisition, the distribution costs for the Year would have decreased by approximately 13.19%, which was primarily due to the decrease in salaries and bonuses of sales personnel, freight, other sales and marketing expenses as a result of the decline in consolidated revenue for the Year.

The administrative expenses from continuing operations for the Year were approximately RMB115,827,000 (unaudited) (2018: RMB106,858,000 (audited)), representing an increase of approximately 8.39%. The administrative expenses consolidated into the Group’s financial statements for 2019 incurred by the Group’s automotive dealership and services business has increased by approximately RMB26,953,000 (unaudited) as compared with its administrative expenses consolidated into the Group’s financial statements for the last three months of 2018. Excluding the effect of the Automotive Dealership Business Acquisition, the administrative expenses of the Group for the Year would have decreased by approximately 17.77%, which was primarily due to the control of the number of management personnel and the reduction of administrative expenses during the Year. In addition, legal and professional service fees of approximately RMB13,139,000 were incurred in relation to the Automotive Dealership Business Acquisition in 2018, while there were no such expenses this Year.

### *Operating (loss)/profit*

The operating loss from continuing operations of the Group during the Year was approximately RMB131,070,000 (unaudited) (2018: profit of RMB175,337,000 (audited)). The turnaround from operating profit to operating loss was mainly attributable to the decrease in the Group's other revenue and gains and losses of approximately RMB230,329,000 (unaudited), the decrease in consolidated gross profit of approximately RMB20,096,000, the increase in distribution costs of approximately RMB47,172,000 as compared with 2018. It was mainly attributable to the general gloom about Chinese automobile sales industry and the impact of the China-US trade war on manufacturing industry.

### *Finance costs*

Finance costs from continuing operations during the Year amounted to approximately RMB63,390,000 (unaudited) (2018: RMB42,655,000 (audited)), representing an increase of 48.61%, which was mainly attributable to the recognition of interest on lease liabilities of approximately RMB5,487,000 (unaudited) during the Year due to the Group's initial application of IFRS 16 Lease on 1 January 2019 and the interest expenses on bank borrowings consolidated into the Group's financial statements for 2019 incurred by the Group's automotive dealership and services business has increased by approximately RMB15,848,000 (unaudited), as compared with its interest expenses on bank borrowings consolidated into the Group's financial statement for the last three months of 2018.

### *Taxation*

Income tax from continuing operations during the Year was approximately RMB(33,804,000) (unaudited) (2018: RMB2,314,000 (audited)). The decrease in income tax expenses was mainly attributable to the recognition of deferred income tax expenses arisen from operating loss.

### *(Loss)/profit attributable to equity shareholders of the Company*

The loss attributable to equity shareholders of the Company from continuing and discontinued operations during the Year was approximately RMB172,589,000 (unaudited) (2018: profit of RMB107,833,000 (audited)). Excluding the Difference in Fair Value Change in Derivative Financial Instruments of approximately RMB138,964,000 (unaudited) and the Interest Income Difference of approximately RMB57,584,000 (unaudited) and the negative goodwill of approximately RMB13,837,000 arisen from the Automotive Dealership Business Acquisition in 2018, the loss attributable to equity shareholders of the Company would have increased by approximately RMB70,037,000 (unaudited) as compared with 2018. Loss per share for the Year from continuing and discontinued operations was approximately RMB2.55 cents (unaudited) (2018: earnings per share of RMB1.84 cents (audited)).

## *Financial Position and Liquidity*

The Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy during the Year. The Group had a net cash inflow from operating activities of approximately RMB89,658,000 (unaudited) (2018: net cash outflow of RMB99,251,000 (audited)).

Non-current assets were approximately RMB389,670,000 (unaudited) as at 31 December 2019 (31 December 2018: RMB494,651,000 (audited)).

Net current assets were approximately RMB551,304,000 (unaudited) as at 31 December 2019 (31 December 2018: RMB512,783,000 (audited)).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 57.50% (unaudited) as at 31 December 2019 (31 December 2018: 61.66% (audited)).

As at 31 December 2019, the total bank and other borrowings of the Group were approximately RMB489,982,000 (unaudited) (31 December 2018: RMB552,309,000 (audited)), of which approximately 5.77% (unaudited) were made in United States Dollars (“USD”) and approximately 94.23% (unaudited) were made in Renminbi. All of the borrowings are repayable within one year and bear fixed interest rates. The Group’s need for borrowings was generally stable during the Year. The Group repaid or renewed the borrowings during the Year when they became due. As at 31 December 2019, the committed borrowing facilities available to the Group but unutilized amounted to approximately RMB65,733,000. The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation.

## **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 the CCBC Convertible Notes, after deducting all related fees and expenses, were approximately USD34,916,000. The issue of the CCBC Convertible Notes was completed on 1 September 2017. Details of the aforementioned transaction were set out in the announcements of the Company dated 21 August 2017 and 8 September 2017.

Upon receipt of the 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 USD5,000,000, the Company allotted and issued 126,598,820 conversion shares, respectively, to the Investor at a conversion price of HK\$0.306085 per conversion share on 14 September 2017 and 3 October 2017, respectively. In accordance with the relevant terms and conditions of the CCBC Convertible Notes, the conversion price under



the CCBC Convertible Notes was adjusted from HK\$0.306085 per share to HK\$0.280511 per share on 19 June 2018 upon completion of the allotment and issuance of 1,904,761,905 new shares by the Company. Upon receipt of the conversion notice dated 31 August 2018 from the Investor, for conversion of part of the CCBC Convertible Notes in the principal amount of USD800,000, the Company allotted and issued 22,102,520 conversion shares to the Investor at a conversion price of HK\$0.280511 per conversion share on 4 September 2018.

On 26 September 2019 (after trading hours), the Company entered into a note exchange agreement with the Investor and CCBI Solar Energy (Holding) Limited (the “**New Investor**”, an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited) (the “**Note Exchange Agreement**”), pursuant to which the Company, on the one hand, and the Investor and the New Investor, on the other hand, agreed to exchange the CCBC Convertible Notes in the total outstanding principal amount of USD24,200,000, for the notes (the “**Notes**”) in the aggregate principal amount of USD24,200,000 to be issued by the Company to the New Investor. Closing was completed on the date of the Note Exchange Agreement and the CCBC Convertible Notes were cancelled simultaneously. Details of the aforementioned transaction were set out in the announcement of the Company dated 26 September 2019.

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 Notes.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity during the Year. To manage liquidity risks, 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.

Approximately 80% of the revenue from the Group’s Manufacturing Business was generated from the export of its products which was settled in USD. Other businesses of the Group took place in Mainland China. As such, the Group’s cash and cash equivalents and borrowings were mainly denominated in RMB and USD.

As at 31 December 2019, the total assets of the Group were RMB1,939,950,000 (unaudited) (31 December 2018: RMB2,570,157,000 (audited)), which included: (1) share capital of RMB556,286,000 (unaudited) (31 December 2018: RMB556,286,000 (audited)); (2) reserves of RMB268,203,000 (unaudited) (31 December 2018: RMB429,138,000 (audited)); and (3) debts of RMB1,115,461,000 (unaudited) (31 December 2018: RMB1,584,733,000 (audited)).

### **Financial Guarantees and Pledge of Assets**

As at 31 December 2019, the net book values of inventory, investment properties, property, plant and equipment, leasehold land and land use rights pledged as security for the Group’s bank borrowings totaled approximately RMB178,170,000 (unaudited) (31 December 2018: RMB398,065,000 (audited)).

## Acquisition and Disposal of Subsidiaries

### *Beijing Aiyihang Equity Disposal*

On 22 November 2019, New Focus Lighting and Power Technology (Shanghai) Co., Ltd. (“**New Focus Lighting & Power**”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Beijing Aiyihang Auto Service Ltd. (“**Beijing Aiyihang**”), Shanghai Shangzhi Technology Partnership (Limited Partnership) (上海尚摯科技合夥企業(有限合夥)) (“**Shanghai Shangzhi**”) and Pingtan Shangzhi Investment Partnership (Limited Partnership) (平潭商智投資合夥企業(有限合夥)) (“**Pingtang Shangzhi**”). Xing Aiyi, the founder and a director of Beijing Aiyihang, who held 38.8% equity interests in Beijing Aiyihang through a company, is a partner of Shanghai Shangzhi, and contributed 1% of its capital contribution. He is also a partner of Pingtan Shangzhi, and contributed 28% of its capital contribution. Pursuant to the equity transfer agreement, New Focus Lighting & Power transferred its 43% and 15.2% equity interest held in Beijing Aiyihang to Shanghai Shangzhi and Pingtan Shangzhi respectively (the “**Beijing Aiyihang Equity Disposal**”) each for a consideration of RMB1. The completion of the Beijing Aiyihang Equity Disposal took place on 13 December 2019, and Beijing Aiyihang ceased to be a subsidiary of the Company.

On 22 November 2019, New Focus Lighting & Power, Beijing Aiyihang, another three shareholders of Beijing Aiyihang, Xing Aiyi entered into a capital increase agreement with Huzhou Guojin Zuoyu Equity Investment Partnership (Limited Partnership) (湖州國金佐譽股權投資合夥企業(有限合夥)) (“**Huzhou Zuoyu**”). Pursuant to the capital increase agreement, each party to the agreement agreed to the capital increase of Beijing Aiyihang by Huzhou Zuoyu, and Beijing Aiyihang will repay part of its debts to New Focus Lighting & Power with part of the increased capital as agreed under the capital increase agreement. Besides, according to the capital increase agreement, New Focus Lighting & Power confirmed that its right to repayment against Beijing Aiyihang in the aggregate amount of RMB65 million and the corresponding interests will be discounted to RMB50 million. The performance of the capital increase under the capital increase agreement was conditional on the completion of Beijing Aiyihang Equity Disposal. The completion of the capital increase took place on 17 December 2019. Huzhou Zuoyu is an independent third party.

### *Changchun Guangda Equity Disposal*

On 12 September 2019, New Focus Lighting & Power and Mr. Wu Yande, a shareholder of Changchun Guangda Automobile Trading Co., Ltd. (“**Changchun Guangda**”) entered into an equity transfer contract (the “**Changchun Guangda Equity Transfer Contract**”). Mr. Wu Yande is a director of Changchun Guangda, and held 8.37% equity interests in Changchun Guangda. Pursuant to the Changchun Guangda Equity Transfer Contract, Mr. Wu Yande agreed to purchase and New Focus Lighting & Power agreed to sell its 61% equity interest in Changchun Guangda for a cash consideration of RMB12,000,000 (“**Changchun Guangda Equity Disposal**”). After the completion of the Changchun Guangda Equity Disposal on 19 September 2019, Changchun Guangda ceased to be a subsidiary of the Company.

## Significant Investments

The Group had no significant investments during the Year. The Group has no specific plans for material future investments or acquisition of business.

## **Exchange Risks**

The Group's wholesale service businesses as well as automotive dealership and services business mainly take place in the People's Republic of China (the "PRC"), with the settlement currency being RMB. Hence, there is no exchange risk.

Approximately 80% of the revenue from the Group's manufacturing business was generated from the export of its products which was settled in USD. Most of the materials used to produce those exports were purchased in RMB. Therefore, the depreciation of USD against RMB would normally have an adverse effect on the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risks by making USD borrowings to lower such exchange risks. As at 31 December 2019, the amount of the Group's USD borrowings was approximately USD4,000,000 (unaudited) (31 December 2018: USD4,000,000 (audited)).

In addition, part of the principal and interest payable under the Notes of approximately USD25,591,500 in 2020 will be paid out of the revenue generated from the export of the Group's manufacturing business. This will help hedge against the exchange risk faced by the Group's manufacturing business.

## **Other Material Risks and Uncertainties**

The Group operates its major business in the PRC and faces other material risks and uncertainties, mainly including the future prospect of the PRC's economy. Should the PRC's economy suffer from downturn, the consumption sentiment of car owners will be affected, which will in turn reduce the revenue of the Group. Having adopted methods of streamlining the personnel structure and reducing other expenses reasonably to cut costs, the Group will pay close attention to the economic trend of the PRC and deal with those risks and uncertainties in a timely manner.

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group had no significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2019, the Group employed a total of 1,591 full-time employees (31 December 2018: 4,181), of which 284 (31 December 2018: 627) were managerial staff. The Group's remuneration policies are formulated to attract talent and retain quality staff. 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 option scheme are disclosed in the "Report of the Directors" of the 2019 annual report of the Company. The 2019 annual report of the Company will be published and despatched in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course. The Group emphasizes the importance of staff development and provides relevant training programs on an ongoing basis with reference to its strategic objectives and the performance of its staff.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group has been continuously promoting the establishment and improvement of environment-related management mechanism and system. Such systems require all the employees of the Group to comply with the applicable environmental laws and regulations in their daily work. The automobile distributions branches and individual after-sales service stores of the Group have obtained approval from environmental protection authorities prior to commencement of operations and strictly complied with applicable environmental laws and regulations in the subsequent operation, to minimize the damages to the environment. The manufacturing business of the Group proactively incorporates the concept of environmental protection into product design and manufacturing, with a view to providing energy-saving and environmentally friendly products to customers. The Group encourages its employees to save energy and treasure resources.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

During the Year, the Group complied with the relevant laws and regulations that had a significant impact on the operations of the Group in all material respects, which cover various aspects such as labor, fire prevention, environmental protection and product liability, including but not limited to the Law of Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Law of Prevention and Control of Environmental Noise Pollution of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law on Product Quality of the People's Republic of China (《中華人民共和國產品質量法》), the Law on Trademark of the People's Republic of China (《中華人民共和國商標法》), the Law on Advertising of the People's Republic of China (《中華人民共和國廣告法》) and the Listing Rules.

## **RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The Group attaches great importance to the relationships with its employees, customers, suppliers and other relevant parties since such relationships are key to the Group's sustainable development. The Group adheres to the principle of legality, fairness, reasonableness and mutual benefit in its daily operation and duly handles the relationships with its employees, customers, suppliers and other relevant parties.

## **INDUSTRIAL DEVELOPMENT, BUSINESS PROGRESS AND OUTLOOK**

### *Automotive Dealership and Services Business of the Group*

According to the statistics of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in the PRC was approximately 21.44 million for the Year, representing a decrease of approximately 9.6% as compared with 2018. Based on the analysis of China Association of Automobile Manufacturers, the domestic automobile industry was under great pressure in 2019, which was mainly due to factors including the diminishing growth of macro economy, the China-US trade war, the change of environmental protection standards and the reduction of purchase subsidies for new energy vehicles.

The Group's automotive dealership and services business network is located in Inner Mongolia Autonomous Region, and its main businesses include automobile sales and after-sales service, as well as the distribution of car insurance products and financial products. In response to the relatively unfavorable macroeconomic environment and industry conditions, the Group implemented the following operating strategies for the automotive dealership and services business:

Firstly, we eliminated part of the automotive brands with low profitability and optimized the structure of automotive brands under the Group's dealership, so as to concentrate its resources on the dealership of automotive brands with better sales performance.

Secondly, we consolidated the management departments of our headquarters to streamline the management. At the same time, we downsized the proportion of management personnel at our stores to improve management efficiency.

Thirdly, we improved the operation method and business model of second-hand automobile business and automotive product business.

It is expected that the automotive dealership industry will remain under considerable pressure in the short run. To improve its operating results, the Group plans to adopt the following operating strategies in 2020:

Firstly, we will continue to optimize the structure of automotive brands under the Group's dealership to align with the trend of consumption upgrade in automobiles, by introducing premium vehicle brands and mid-range automotive brands with market potential.

Secondly, in terms of sales, we will strengthen the design of retail products package and the usage of differentiated marketing strategy. For after-sales service, we will enhance the management and development of existing customer resources, and refine the management and control of the after-sales business process to improve customer satisfaction.

Thirdly, we will focus on lean management, optimize the responsibility system of operation targets in each of the automotive dealership networks, and organize the operation and management processes in an all-rounded manner, with an aim of enhancing the operating efficiency.

#### *Individual Automobile After-sales Service and Automotive Products Wholesale Business of the Group*

In respect of expanding individual automobile service chain networks as well as establishing and developing e-commerce platforms for automotive products, our operating conditions for the Year mainly included:

Firstly, the Group operated large-scale chain stores in places such as Beijing to provide car owners with automobile repair and maintenance, tire refitting, sheet-metal spray, environmental-friendly car cleaning and car beauty services. In addition, the Group joined hands with the gas stations under certain branches of Sinopec Sales Co., Ltd. and PetroChina Company Limited to operate automotive after-sales service outlets.

Secondly, the Group operated the automotive product wholesale business based on the e-commerce platform “Auto Make” (美車驛站). Catering to small retail service outlets, the platform provides customers with the purchase, delivery and warehousing services for repair and maintenance parts and components as well as automotive products. At the same time, relevant manufacturers and major wholesalers have also been enticed to set up their stores on the “Auto Make” platform and Auto Make provides sales, payment collection and delivery services for such stores. As such, Auto Make has become an e-commerce platform that integrates self-operated wholesale business and third-party sales of automotive products.

### *Manufacturing Business of the Group*

During the Year, the Group streamlined its manufacturing personnel to enhance efficiency. Meanwhile, the Group integrated research and development resources, established the product manager system and conducted systematic review of the products. For the export business, the Group optimized its current customer portfolio on top of sorting out the existing markets and customers, and successfully launched a series of new products to the market. However, heavily affected by import tariff adjustments by the US and the unfavorable factors of higher manpower and material costs, the orders from the American customers decreased significantly. As a result, the export sales revenue and gross profit fell far short of expectation. For the domestic sales, the Group further adjusted its product structure by enlarging the sales proportion of its own brand products. For the business of supplying pre-installation products to automakers, the Group enhanced its basic research and development and manufacturing capabilities to consolidate the partnership with premium automakers.

The Group’s manufacturing business will be customer-oriented, with optimized product structure, more competitive product cost and stronger supply chain bargain capability. At the same time, the Group will enhance the development of innovative products and the core competitiveness of its products to forge new growth points. In addition, the Group will ramp up its quality control by identifying and solving product quality and service issues to improve profitability. We will continue to optimize the structure of our foreign customers, and actively respond to such unfavorable factors in the export of products to the US, while striving to expand the Southeast Asia market.

### *Business Optimization, Acquisition and Prospect*

In 2020, the Group will assess its existing businesses and consider appropriate disposal of relevant businesses with long-term loss and uncertain prospects, so as to optimize resources allocation and improve the Group’s profitability. In addition, the Group will also consider acquiring businesses with high profitability and growth potential as opportunities arise, to improve the operating results of the Group.

The size of the market for the principal business of the Group is substantial and there is still much room for development. However, the outbreak of Coronavirus Disease 2019 (COVID-19) in China in early 2020 has had relatively material and negative impacts on a number of operating entities, including the Group, and the impacts are expected to continue for a certain period. Therefore, there are both opportunities and challenges in the macro-environment for our operation in 2020.

## **CORPORATE GOVERNANCE**

The Board believes that good corporate governance practice serves as an important element to the business growth and management of the Group. The Company adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules during the Year.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the Year save and except for the deviation from code provision E.1.2.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The then chairman of the board Mr. Du Jinglei did not attend the Company’s annual general meeting held on 28 June 2019 for personal reasons. Mr. Zhang Jianxing acted as chairman of that annual general meeting and the chairmen of the audit committee, the remuneration committee, the nomination committee and the strategies committee of the Company attended this meeting. The Company is of the view that the Directors participated in the annual general meeting were able to answer questions from and effectively communicate with the shareholders at the meeting.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors and 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 Year.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises a total of three members, including two independent non-executive Directors, namely, Mr. Hu Yuming and Mr. Lin Lei, and one non-executive Director, namely, Mr. Wang Zhenyu. The chairman of the Audit Committee is Mr. Hu Yuming who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company’s existing external auditors.

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the Year in conjunction with the Company’s external auditors HLB Hodgson Impey Cheng Limited, Certified Public Accountants. The financial information set out in this announcement represents an extract from these unaudited consolidated financial statements.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend for the Year (2018: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the Year, the Company did not repurchase any ordinary shares of the Company on the Stock Exchange under the general mandate granted at the annual general meeting of the Company held on 28 June 2019, and there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The audit process for the annual results for the year ended 31 December 2019 has not been completed due to certain travel and other restrictions in force in some parts of China to combat the outbreak of Coronavirus Disease 2019 (COVID-19). The unaudited annual results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the audit process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process.

## **PUBLICATION OF ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.nfa360.com](http://www.nfa360.com)). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

## **WARNING STATEMENT**

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board  
**New Focus Auto Tech Holdings Limited**  
**TONG Fei**  
*Executive Director*

Hong Kong, 31 March 2020

*As at the date hereof, the Board of the Company comprises the following members: executive Director – TONG Fei; non-executive Directors – WANG Zhenyu and ZHANG Jianxing; and independent non-executive Directors – HU Yuming, LIN Lei and ZHANG Xiaoya.*