NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "**Board**") of New Focus Auto Tech Holdings Limited (the "**Company**") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2020, together with unaudited comparative figures for the corresponding period of 2019, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020
(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
			(Restated)
		(Unaudited)	*(Unaudited)*
Continuing operations:			
Revenue	*4*	**379,321**	1,045,725
Cost of sales and services		**(350,047)**	(939,467)
Gross profit		**29,274**	106,258
Other revenue and gains and losses	*5*	**14,902**	14,277
Distribution costs		**(45,128)**	(89,307)
Administrative expenses		**(39,967)**	(52,036)
Impairment loss on trade and other receivables, net		**(352,395)**	(1,070)
Finance costs	*6*	**(21,133)**	(27,734)
Loss before taxation for continuing operations		**(414,447)**	(49,612)
Income tax	*7*	**2,006**	8,056
Loss for the period for continuing operations		**(412,441)**	(41,556)
Discontinued operations:			
Loss for the period for discontinued operations, net of income tax		**–**	(30,195)
Loss for the period		**(412,441)**	(71,751)

* *For identification purposes only*

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

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Note	Six months ended 30 June **2020** *RMB'000* *(Unaudited)*	2019 *RMB'000* *(Restated)* *(Unaudited)*
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1,976)**	(1,048)
Item that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		**(24,994)**	–
Other comprehensive loss for the period, net of tax		**(26,970)**	(1,048)
Total comprehensive loss for the period		**(439,411)**	(72,799)
Loss for the period attributable to			
Equity shareholders of the Company			
– from continuing operations		**(406,787)**	(37,600)
– from discontinued operations		**–**	(13,122)
		(406,787)	(50,722)
Non-controlling interests			
– from continuing operations		**(5,654)**	(3,956)
– from discontinued operations		**–**	(17,073)
		(5,654)	(21,029)
		(412,441)	(71,751)
Total comprehensive loss attributable to			
Equity shareholders of the Company			
– from continuing operations		**(433,757)**	(38,648)
– from discontinued operations		**–**	(13,122)
		(433,757)	(51,770)
Non-controlling interests			
– from continuing operations		**(5,654)**	(3,956)
– from discontinued operations		**–**	(17,073)
		(5,654)	(21,029)
		(439,411)	(72,799)
Loss per share	*8*		
Basic and diluted (RMB cents)			
– from continuing operations		**(6.011)**	(0.556)
– from discontinued operations		**–**	(0.193)
		(6.011)	(0.749)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**93,903**	104,762
Right-of-use assets		**124,482**	130,262
Investment properties		**48,639**	48,639
Other intangible assets		**2,663**	2,663
Financial assets at fair value through other comprehensive income		**11,222**	36,216
Deferred tax assets		**44,695**	42,866
		325,604	365,408
Current assets			
Inventories		**142,926**	202,808
Tax recoverable		**1,490**	1,479
Trade receivables	*10*	**138,099**	146,541
Deposits, prepayments and other receivables		**691,756**	1,119,238
Amounts due from related parties		**–**	37,060
Cash and cash equivalents		**60,880**	64,697
		1,035,151	1,571,823
Current liabilities			
Bank and other borrowings, secured		**314,730**	489,982
Trade payables	*11*	**252,113**	238,927
Contract liabilities		**67,959**	82,016
Accruals and other payables		**169,991**	181,787
Lease liabilities		**12,025**	12,329
Tax payable		**3,991**	4,106
		820,809	1,009,147
Net current assets		**214,342**	562,676
Total assets less current liabilities		**539,946**	928,084

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2020
(Expressed in Renminbi)

	Note	**At 30 June 2020** ***RMB'000*** ***(Unaudited)***	At 31 December 2019 *RMB'000* *(Audited)*
Non-current liabilities			
Other borrowings		**55,189**	–
Lease liabilities		**101,725**	105,630
Deferred tax liabilities		**10,844**	10,855
		167,758	116,485
NET ASSETS		**372,188**	811,599
CAPITAL AND RESERVES			
Share capital		**556,286**	556,286
Reserves		**(194,146)**	239,611
Total equity attributable to equity shareholders of the Company		**362,140**	795,897
Non-controlling interests		**10,048**	15,702
TOTAL EQUITY		**372,188**	811,599

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020
(Expressed in Renminbi)

	Share capital *RMB'000*	Share premium and other reserves *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 2020	**556,286**	**1,583,782**	**(1,344,171)**	**795,897**	**15,702**	**811,599**
Loss for the period	–	–	(406,787)	(406,787)	(5,654)	(412,441)
Other comprehensive loss for the period	–	(26,970)	–	(26,970)	–	(26,970)
Total comprehensive loss for the period	–	(26,970)	(406,787)	(433,757)	(5,654)	(439,411)
Balance at 30 June 2020	**556,286**	**1,556,812**	**(1,750,958)**	**362,140**	**10,048**	**372,188**
Balance at 1 January 2019	**556,286**	**1,615,626**	**(1,172,464)**	**999,448**	**(14,024)**	**985,424**
Loss for the period	–	–	(50,722)	(50,722)	(21,029)	(71,751)
Other comprehensive loss for the period	–	(1,048)	–	(1,048)	–	(1,048)
Total comprehensive loss for the period	–	(1,048)	(50,722)	(51,770)	(21,029)	(72,799)
Forfeited share options	–	(3,008)	3,008	–	–	–
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	(2)	(2)
Balance at 30 June 2019	**556,286**	**1,611,570**	**(1,220,178)**	**947,678**	**(35,055)**	**912,623**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2020
(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
Cash generated from operations	**32,277**	23,791
Tax paid	**(668)**	(7,269)
Net cash generated from operating activities	**31,609**	16,522
Investing activities		
Net cash flows for disposal of a subsidiary	**(561)**	–
Purchase of property, plant and equipment	**(740)**	(14,043)
Loans repaid by third parties	**15,500**	128,670
Loans to third parties	**–**	(128,385)
Other cash flows arising from investing activities	**150**	7,880
Net cash generated from/(used in) investing activities	**14,349**	(5,878)
Financing activities		
Net decrease in bank and other borrowings, secured	**(34,000)**	(11,728)
Repayment of lease liabilities	**(6,198)**	(10,977)
Other cash flows arising from financing activities	**(9,577)**	(18,968)
Net cash used in from financing activities	**(49,775)**	(41,673)
Net decrease in cash and cash equivalents	**(3,817)**	(31,029)
Cash and cash equivalents, beginning of period	**64,697**	134,460
Cash and cash equivalents, end of period	**60,880**	103,431

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**", together with its subsidiaries, the "**Group**") 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 incorporates in the British Virgin Islands (the "**BVI**") as the immediate holding company, and China Diamond Holdings Company Limited, a company incorporated in the BVI as the ultimate holding company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standards ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issuance on 31 August 2020.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements.

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

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 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 2019 that is included in the unaudited interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 May 2020.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	*(Unaudited)*
Continuing operations:		
Recognised at a point in time:		
Sale of goods	**353,816**	979,023
Service income	**25,505**	66,702
	379,321	1,045,725

(a) Reportable segments

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 Services Business**").

As at 31 December 2019, the segment of provision of automobile repair, maintenance and restyling service (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.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

Set out below is an analysis of segment information:

	Continuing Operations				Discontinued Operations	
	The Manufacturing Business *(Unaudited)* *RMB'000*	The Wholesale Business *(Unaudited)* *RMB'000*	Automobile Dealership and Services Business *(Unaudited)* *RMB'000*	Sub-total *(Unaudited)* *RMB'000*	The Retail Service business *(Unaudited)* *RMB'000*	Total *(Unaudited)* *RMB'000*
For the six months ended 30 June 2020						
Revenue						
External revenue	195,373	11,781	172,167	379,321	–	379,321
Inter-segment revenue	–	–	–	–	–	–
Segment revenue	195,373	11,781	172,167	379,321	–	379,321
Less: inter-segment revenue				–		–
Total revenue				379,321		379,321
Reportable segment results	(2,881)	(7,108)	(348,403)	(358,392)	–	(358,392)
Interest income	59	23	380	462	–	462
Unallocated interest income				39		39
Total interest income				501		501
Interest expenses	(436)	(24)	(7,282)	(7,742)	–	(7,742)
Unallocated interest expenses				(13,391)		(13,391)
Total interest expenses				(21,133)		(21,133)
Depreciation and amortisation charges	(8,144)	(869)	(7,281)	(16,294)	–	(16,294)
Unallocated depreciation and amortisation charges				(716)		(716)
Total depreciation and amortisation charges				(17,010)		(17,010)

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

(a) **Reportable segments** *(Continued)*

	Continuing Operations				Discontinued Operations	
	The Manufacturing Business *(Restated)* *(Unaudited)* *RMB'000*	The Wholesale Business *(Restated)* *(Unaudited)* *RMB'000*	Automobile Dealership and Services Business *(Restated)* *(Unaudited)* *RMB'000*	Sub-total *(Restated)* *(Unaudited)* *RMB'000*	The Retail Service business *(Restated)* *(Unaudited)* *RMB'000*	Total *(Restated)* *(Unaudited)* *RMB'000*
For the six months ended 30 June 2019						
Revenue						
External revenue	212,108	40,061	793,556	1,045,725	145,771	1,191,496
Inter-segment revenue	–	–	–	–	–	–
Segment revenue	212,108	40,061	793,556	1,045,725	145,771	1,191,496
Less: inter-segment revenue				–		–
Total revenue				1,045,725		1,191,496
Reportable segment results	(13,945)	(7,916)	(8,933)	(30,794)	(29,029)	(59,823)
Interest income	56	25	192	273	72	345
Unallocated interest income				12		12
Total interest income				285		357
Interest expenses	(557)	(59)	(6,090)	(6,706)	(3,456)	(10,162)
Unallocated interest expenses				(21,028)		(21,028)
Total interest expenses				(27,734)		(31,190)
Depreciation and amortisation charges	(7,408)	(1,341)	(4,971)	(13,720)	(29,454)	(43,174)
Unallocated depreciation and amortisation charges				(1,349)		(1,349)
Total depreciation and amortisation charges				(15,069)		(44,523)

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	*(Unaudited)*
Continuing operations:		
Loss before tax		
Reportable segment loss	**(358,392)**	(30,794)
Unallocated other revenue and gains and losses	**3,057**	12,101
Unallocated corporate expenses	**(45,721)**	(9,891)
Unallocated finance costs	**(13,391)**	(21,028)
Consolidated loss before taxation	**(414,447)**	(49,612)

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Assets		
Reportable segment assets	1,008,955	1,527,820
Unallocated corporate assets	351,800	409,411
Consolidated total assets	1,360,755	1,937,231
Liabilities		
Reportable segment liabilities	829,192	938,040
Unallocated corporate liabilities	159,375	187,592
Consolidated total liabilities	988,567	1,125,632

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, right-of-use assets and other intangible assets ("**specified non-current assets**"):

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 June		**At 30 June**	At 31 December
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Audited)*
PRC (Place of domicile)	**236,063**	885,224	**269,687**	286,326
America	**119,110**	132,366	**–**	–
Europe	**6,597**	6,923	**–**	–
Asia Pacific	**17,551**	21,212	**–**	–
	379,321	1,045,725	**269,687**	286,326

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

(d) Major customers

During the six months ended 30 June 2020, the Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue.

5. OTHER REVENUE AND GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	*(Unaudited)*
Continuing operations:		
Fair value change of conversion option	**–**	12,150
Reversal of financial guarantee provision	**10,171**	–
Interest income	**501**	285
Exchange gain/(loss), net	**2,817**	(1,579)
Others	**1,413**	3,421
	14,902	14,277

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	*(Unaudited)*
Continuing operations:		
Interests on bank borrowings		
– wholly repayable within five years	**18,548**	9,593
Imputed interest on convertible bonds	**–**	17,927
Interest from lease liabilities	**2,585**	214
	21,133	27,734

7. INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	*(Unaudited)*
Continuing operations:		
Current tax	**2,051**	4,444
Deferred tax	**(4,057)**	(12,500)
	(2,006)	(8,056)

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 2020 (30 June 2019: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	*(Unaudited)*
Loss for the period attributable to the equity shareholders of the Company, used in the basic and diluted loss per share calculation		
– from continuing operations	**(406,787)**	(37,600)
– from discontinued operations	**–**	(13,122)
	(406,787)	(50,722)
Shares		
Weighted average number of ordinary shares for the basic loss per share calculation	**6,767,636,215**	6,767,636,215
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**6,767,636,215**	6,767,636,215

The computation of diluted loss per share for the six months ended 30 June 2019 does not assume the conversion of the Company's outstanding share options since the impact of those share options on basic loss per share is anti-dilutive.

* The computation of diluted loss per share for the six months ended 30 June 2019 does not assume the conversion of the Company's convertible bonds since the impact of those bonds on basic loss per share is anti-dilutive.

* No adjustment is made to the diluted loss per share for the six months ended 30 June 2020 as there were no potential dilutive shares in issue.

9. DIVIDEND

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

10. TRADE RECEIVABLES

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

	As at 30 June 2020 *RMB'000* ***(Unaudited)***	As at 31 December 2019 *RMB'000* *(Audited)*
Current to 30 days	**43,826**	52,102
31 to 60 days	**29,093**	33,439
61 to 90 days	**22,196**	12,278
Over 90 days	**44,687**	50,113
	139,802	147,932
Less: allowance for credit losses	**(1,703)**	(1,391)
	138,099	146,541

11. TRADE PAYABLES

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

	As at 30 June 2020 *RMB'000* ***(Unaudited)***	As at 31 December 2019 *RMB'000* *(Audited)*
Current to 30 days	**89,391**	135,245
31 to 60 days	**38,769**	18,268
61 to 90 days	**9,710**	13,474
Over 90 days	**114,243**	71,940
	252,113	238,927

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is committed to the research and development, manufacturing and sales of automotive electronic products, as well as construction and development of automotive product e-commerce platforms and automobile dealership networks. The manufacturing business of the Group is principally engaged in the research and development, manufacturing and sales of electronic and electronic power-related automotive accessories, which are mainly sold to the markets in Mainland China, North America and Europe. 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. 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.

Results Highlights

Revenue

For the six months ended 30 June 2020 (the "**Period**"), the consolidated revenue of the Group was approximately RMB379,321,000 (consolidated revenue from continuing operations for the corresponding period of 2019: RMB1,045,725,000), representing a decrease of approximately 63.73%, which was primarily due to the impact of the COVID-19 pandemic on the Group, leading to the significant decrease in the revenue from the wholesale service business and the automobile dealership and services business of the Group for the Period as compared to the corresponding period of last year.

The consolidated revenue of the wholesale service business of the Group was approximately RMB11,781,000 (corresponding period of 2019: RMB40,061,000), representing a decrease of approximately 70.59%, which was primarily due to the impact of the COVID-19 pandemic leading to the decrease in sales of various products.

The consolidated revenue of the manufacturing business of the Group was approximately RMB195,373,000 (corresponding period of 2019: RMB212,108,000), representing a decrease of approximately 7.89%, which was mainly attributable to the global spread of COVID-19 pandemic and the continuing Sino-US trade war that led to a decrease in export sales revenue for the Period.

The consolidated revenue of the Group's automobile dealership and services business was approximately RMB172,167,000 (corresponding period of 2019: RMB793,556,000), representing a decrease of approximately 78.30%. Such decrease was mainly attributable to two reasons: firstly, the operations of dealer shops were suspended for a long time during the Period under the impact of the pandemic; and secondly, local banks in Inner Mongolia tightened the standards for credit approval in response to local economic downturn, and vigorously required enterprises with operations in Inner Mongolia to repay their loans. As a result of the abovementioned change in bank policy, the Group's automobile dealership and services business faced enormous pressure in relation to cash flow. Therefore, the Group decided to temporarily scale down. Certain dealer shops were closed while some shops only maintained after-sales services, which led to the withdrawal of the authorized dealership of some automotive brands.

Gross profit and gross profit margin

The consolidated gross profit of the Group for the Period was approximately RMB29,274,000 (consolidated gross profit from continuing operations for the corresponding period of 2019: RMB106,258,000), representing a decrease of approximately 72.45%; gross profit margin decreased from 10.16% for the corresponding period of 2019 to 7.72%. The decrease in gross profit and gross profit margin was primarily attributable to the significant decrease in revenue from the wholesale service business and the automobile dealership and services business of the Group for the Period as compared to the corresponding period of last year.

The gross profit of the Group's wholesale service business was approximately RMB1,489,000 (corresponding period of 2019: RMB7,228,000), representing a decrease of approximately 79.40%; gross profit margin decreased from approximately 18.04% for the corresponding period of 2019 to approximately 12.64%. The decrease in gross profit was mainly attributable to the significant decrease in revenue for the Period as compared to the corresponding period of last year; while the decrease in gross profit margin was mainly attributable to the promotion of products at low prices during the Period.

The gross profit of the Group's manufacturing business was approximately RMB27,992,000 (corresponding period of 2019: RMB30,497,000), representing a decrease of approximately 8.21%. The gross profit margin decreased from approximately 14.38% for the corresponding period of 2019 to approximately 14.33%. The decrease in gross profit was mainly attributable to the decrease in revenue for the Period as compared to the corresponding period of last year; while the decrease in gross profit margin was primarily attributable to the increase in raw material and labor costs for the Period.

The gross loss of the Group's automotive dealership and services business was approximately RMB207,000 (corresponding period of 2019: gross profit of RMB68,533,000). The turnaround from gross profit to gross loss was mainly attributable to the significant decrease in revenue during the Period as compared to the corresponding period of 2019. The gross profit margin of 8.64% for the corresponding period of 2019 turned into the gross loss margin of 0.12% for the current period. The gross loss margin was mainly due to the enormous pressure faced by the Group in relation to cash flow under the coupling effect of the suspension of the operations of the dealer shops as a result of COVID-19 pandemic on the Group's automotive dealership and services business and the tightening of credit policies by local banks in Inner Mongolia. In order to rapidly recoup funds and mitigate operating pressures, the Group's automotive dealership and services business supplied goods and services to the market by cents-off promotion.

Expenses

The distribution costs for the Period were approximately RMB45,128,000 (the distribution costs from continuing operations for the corresponding period of 2019: RMB89,307,000), representing a decrease of approximately 49.47%, which was mainly attributable to the decrease in salaries and bonuses of sales personnel, freight, and other sales and marketing expenses as a result of the decline in consolidated revenue for the Period.

The administrative expenses for the Period were approximately RMB39,967,000 (administrative expenses from continuing operations for the corresponding period of 2019: RMB52,036,000), representing a decrease of approximately 23.19%, which was mainly due to the Group's control of the number of management personnel and the reduction of administrative expenses.

Impairment loss on trade and other receivables for the Period was approximately RMB352,395,000 (impairment loss on trade and other receivables from continuing operations for the corresponding period of 2019: RMB1,070,000). The trade receivables, deposits, prepayments and other receivables (the "**Receivables**") on which most of the impairment losses were recognised were due from Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) ("**Lifeng Dingsheng**") and its subsidiaries and associates (collectively, the "**Lifeng Dingsheng Group**"), which are primarily engaged in automobile dealership and services business in Inner Mongolia. For the reasons and other details for impairment on Receivables for the current period, please refer to the section headed "Collection of Receivables" in this announcement.

Operating loss

The operating loss of the Group for the Period amounted to approximately RMB393,314,000 (operating loss from continuing operations for the corresponding period of 2019: RMB21,878,000). The increase in loss was mainly due to the decrease in the Group's consolidated gross profit by approximately RMB76,984,000, the increase in impairment loss on trade and other receivables by approximately RMB351,325,000 (the "**Increase in Impairment Loss**") and the decrease in distribution costs by approximately RMB44,179,000 for the Period, as compared to the corresponding period of 2019.

Finance costs

Finance costs for the Period amounted to approximately RMB21,133,000 (finance costs from continuing operations for the corresponding period of 2019: RMB27,734,000), representing a decrease of approximately 23.80%. Such decrease was mainly attributable to the imputed interest expenses on derivative financial instruments of approximately RMB17,927,000 for the corresponding period of 2019, which was not recorded during the Period, and the increase in interests on bank and other borrowings for the Period by approximately RMB8,955,000 as compared to the corresponding period of 2019.

Taxation

Income tax credit for the Period was approximately RMB2,006,000 (income tax credit from continuing operations for the corresponding period of 2019: RMB8,056,000).

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Period was approximately RMB406,787,000 (loss attributable to equity shareholders from continuing operations for the corresponding period of 2019: RMB37,600,000). Excluding the Increase in Impairment Loss, the loss attributable to equity shareholders of the Company would have increased by RMB17,862,000 as compared with the corresponding period of 2019, which was mainly due to the substantial decrease in revenue during the Period. Loss per share for the Period was approximately RMB6.011 cents (loss per share from continuing operations for the corresponding period of 2019: RMB0.556 cents).

Financial Position and Liquidity

The Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy. The Group had a net cash inflow from operating activities of approximately RMB31,609,000 during the Period (corresponding period of 2019: RMB16,522,000).

The Group's net current assets were approximately RMB214,342,000 as at 30 June 2020 (31 December 2019: RMB562,676,000), with a current ratio of 1.26 (31 December 2019: 1.56).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 72.65% as at 30 June 2020 (31 December 2019: 58.11%).

As at 30 June 2020, the total bank and other borrowings of the Group were approximately RMB369,919,000 (31 December 2019: RMB489,982,000), approximately 22.57% of which were made in US Dollar ("**USD**") and approximately 77.43% were made in Renminbi ("**RMB**"). All of the borrowings were repayable at fixed interest rate, of which approximately RMB314,730,000 was repayable within one year and approximately RMB55,189,000 was repayable after one year but within two years.

The operation and capital expenses of the Group were funded by the cash flow generated from its business, internal liquid funds and the financial agreements entered into with banks. The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operations.

Collection of Receivables

The Receivables of the Group mainly include the amount owed by the Lifeng Dingsheng Group to Inner Mongolia Chuangying Auto Co., Ltd. ("**Inner Mongolia Chuangying**"), a subsidiary of the Group, and its subsidiaries ("**Lifeng Dingsheng Receivables**"). As of 30 June 2020, the Lifeng Dingsheng Receivables amounted to approximately RMB618,725,000. The Lifeng Dingsheng Receivables mainly arose from the amount of RMB655,652,000 owed by the Lifeng Dingsheng Group to Inner Mongolia Chuangying and its subsidiaries before the completion of the acquisition of 100% equity interest of Inner Mongolia Chuangying from Lifeng Dingsheng by the Group on 30 September 2018 (the "**Acquisition**"). Details of the Acquisition were set out in the circular of the Company dated 24 August 2018.

The works related to the Acquisition commenced in September 2017 and were primarily undertaken by Mr. Du Jinglei ("**Mr. Du**"), the then sole executive director and chairman of the Board of the Company. Mr. Du has been the chairman and legal representative of Lifeng Dingsheng since January 2017. He resigned as the legal representative in November 2018 but still held the position of chairman. Prior to his arrest, Mr. Du was fully responsible for the operation and management of the Lifeng Dingsheng Group, and he was the core operating management personnel of the Lifeng Dingsheng Group.

Given that Mr. Du was the chairman of the Company, and that he was appointed to the Board as a representative of CDH Fast Two Limited, the controlling shareholder of the Company, the Board reasonably believed that Mr. Du would have handled the works related to the Acquisition with due care to safeguard the interests of the shareholders of the Company as a whole including CDH Fast Two Limited. Since the Acquisition constituted a very substantial acquisition and connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company engaged HLB Hodgson Impey Cheng Limited to perform the audit and issue an accountant's report on the financial statements of the acquired target companies. Meanwhile, the Company engaged First Shanghai Capital Limited as an independent financial adviser to advise on whether the terms of the Acquisition were fair and reasonable and whether the Acquisition was in the interests of the Company and its shareholders as a whole. In addition, the Group engaged Commerce & Finance Law Offices to conduct legal due diligence on the acquired target companies. Based on the trust in Mr. Du and the relevant reports and opinions issued by the above professional intermediaries, the Board reasonably believed that there was no significant risk in the Acquisition and was in the interests of the Company and its shareholders as a whole.

At the meeting of the Audit Committee convened on 29 March 2019, Mr. Wang Zhenyu, a non-executive director of the Company, noted that the Company's financial statements recorded a substantial amount of receivables, and he required the management to pay attention to the safety of receivables and secure the collection of receivables to ensure the normal operation of the Company and repayment of the debts on schedule as they fall due in the future. The above opinions of Mr. Wang Zhenyu were reported to all directors of the Company at the Board meeting held on the same day by the chairman of the audit Committee and were approved by the directors present.

In the second quarter of 2019, a non-executive director of the Company, Mr. Zhang Jianxing ("**Mr. Zhang**") repeatedly urged Mr. Du to facilitate the Lifeng Dingsheng Group to repay the Lifeng Dingsheng Receivables as soon as possible. Mr. Du, however, claimed that the Lifeng Dingsheng Group was subject to the tightening credit policy of local banks in the Inner Mongolia which resulted in tight cash flow, and the most valuable asset of the Lifeng Dingsheng Group was its automobile distribution rights. Therefore, Mr. Du believed that the best solution to collect the Lifeng Dingsheng Receivables was to use the subsequent operating profits of the Lifeng Dingsheng Group to repay the Lifeng Dingsheng Receivables gradually. Mr. Zhang also suggested to ensure the collectability of the Lifeng Dingsheng Receivables by securing a pledge and mortgage on the assets of the Lifeng Dingsheng Group, but Mr. Du considered that once the above arrangement is implemented, it would cause panic among other creditors of the Lifeng Dingsheng Group (including banks), which may severely affect the normal operation of the Lifeng Dingsheng Group and in turn affect the collection of the Lifeng Dingsheng Receivables. Therefore, Mr. Zhang's suggestion was refused.

On 1 July 2019, Mr. Du resigned as the executive Director and chairman of the Board of the Company, and Mr. Zhang acted as the acting chairman of the Board of the Company. Since then, the Company has not been able to contact Mr. Du directly to discuss the issues on the Lifeng Dingsheng Receivables.

In the preparation of the 2019 financial statements of the Company, the Company did not provide for substantive impairment on the Lifeng Dingsheng Receivables mainly because of four factors. First, the Company was still unable to contact Mr. Du directly to discuss the issues on the Lifeng Dingsheng Receivables, and there were certain travel restrictions due to the prevention and control measures to control COVID-19 pandemic. Therefore, there were relatively limited channels to understand the operational and financial condition of the Lifeng Dingsheng Group. The collectability of the Lifeng Dingsheng Receivables was judged primarily based on the information available to the Company and the information provided by other management personnel of the Lifeng Dingsheng Group. Second, other management personnel of the Lifeng Dingsheng Group did not inform the Group that there was a trend of significantly adverse change in the operation of the Lifeng Dingsheng Group. Lifeng Dingsheng provided guarantee for the Lifeng Dingsheng Receivables and provided a repayment schedule for the Lifeng Dingsheng Receivables, undertaking to repay approximately 94% of the Lifeng Dingsheng Receivables by 31 December 2021. In addition, according to the audit report of Lifeng Dingsheng for 2019, the Lifeng Dingsheng Group's total equity attributable to Lifeng Dingsheng amounted to approximately RMB863,378,000, so the Lifeng Dingsheng Group still held sufficient assets to repay the Lifeng Dingsheng Receivables. Finally, based on the information obtained during the Acquisition by the Company, Lifeng Dingsheng engaged a valuer in 2016, 2017 and 2018 to perform valuation on the land use rights and properties held by the Lifeng Dingsheng Group. According to the valuation results, the appreciation of some of the land use rights and properties held by the Lifeng Dingsheng Group corresponding to the entity interests held by Lifeng Dingsheng in the Lifeng Dingsheng Group amounted to approximately RMB324,358,000, which was not reflected in the abovementioned auditor's report of Lifeng Dingsheng; if the Lifeng Dingsheng Group is unable to repay the Lifeng Dingsheng Receivables by the profits generated from its own operation, the Company may enforce the Lifeng Dingsheng Group to dispose of its land use rights and properties, and the proceeds from disposal will be used to repay the Lifeng Dingsheng Receivables.

At the end of June 2020, Mr. Du's case was heard by the court for the first time. Based on the information on the case obtained from the trial, the Company considered that it is very likely that Mr. Du will be convicted. In such case, together with the impact of the COVID-19 pandemic in the first half of 2020, the solvency of the Lifeng Dingsheng Group will be substantially reduced, and the collectability of the Lifeng Dingsheng Receivables will be materially and adversely affected. In order to determine the collectability of the Lifeng Dingsheng Receivables, an investigation team established by the Group commenced to carry out an on-site due diligence on the financial and operational position of the Lifeng Dingsheng Group in mid-July 2020. In addition, in August 2020, the investigation team led by Mr. Zhao Yufeng, the newly appointed Chief Executive Officer of the Company, travelled to Inner Mongolia twice to communicate with related parties with a view to seeking and implementing the best solution for collecting the Lifeng Dingsheng Receivables as soon as possible.

The relevant information on the Lifeng Dingsheng Group obtained by the investigation team primarily includes:

1. After the outbreak of the COVID-19 pandemic in early 2020, the business operation of the Lifeng Dingsheng Group shrank significantly and continued to be affected by the pandemic, and the revenue generated in the first half of 2020 was significantly lower than that for the same period in 2019, but it was still obliged to continue to pay the related fixed expenses such as rents, salaries and social insurance related expenses;

2. Local banks in Inner Mongolia have tightened their credit approval criteria in response to the local economic recession, and have actively asked enterprises operating in Inner Mongolia to repay their loans, which has put enormous pressure on the cash flow of the Lifeng Dingsheng Group, resulting in a substantial increase in the financing costs for funding its operation in the first half of 2020; and

3. According to the documents provided by the Lifeng Dingsheng Group, Mr. Du has also provided personal guarantee for loans provided by financial institutions, which had close relationship with or under the control of automobile manufacturers, as well as a number of banks to the Lifeng Dingsheng Group. As a result of Mr. Du's arrest as mentioned above, these banks and other creditors have strengthened their efforts to collect their amounts owed by the Lifeng Dingsheng Group, and some of the automobile manufacturers have ceased or opted not to renew the dealership authorisations previously granted to the Lifeng Dingsheng Group.

Based on the above information, the Company believes that there has been a substantial risk of the liquidity of the Lifeng Dingsheng Group. In the event of Mr. Du being convicted, together with the poor operation conditions of the Lifeng Dingsheng Group, it is likely that the creditors of the Lifeng Dingsheng Group would collect their creditor's rights by judicial means. In case of the above situation, the Lifeng Dingsheng Group may be forced in the legal proceedings to dispose of the land use rights and properties, being its main assets, and the proceeds from which will be used to repay debts. According to the judicial practice in Mainland China, the proceeds from disposal of assets during the legal proceedings are usually significantly lower than its reasonable value. Based on the above information, the Company has provided for a significant amount of impairment losses on the Lifeng Dingsheng Receivables.

As of the date of this announcement, the Group has taken the following measures to collect the Lifeng Dingsheng Receivables:

1. Has completed the pledge of the creditor's rights due from third parties owned by Lifeng Dingsheng as security for the Lifeng Dingsheng Group's repayment of the Lifeng Dingsheng Receivables. The abovementioned pledged creditor's rights amounted to approximately RMB596,800,000 in aggregate, but the collectability of such creditor's rights cannot be determined for the time being; and

2. Has instituted legal proceedings against Lifeng Dingsheng.

Although the Company has recognised the related impairment for the Lifeng Dingsheng Receivables, we will use our best endeavors to maximise the collection of the Lifeng Dingsheng Receivables with a view to safeguarding the interests of the Company and its shareholders as a whole. The Company will also investigate the conduct of Mr. Du during the process of the Acquisition. If there is evidence that Mr. Du had misconduct during the process of the Acquisition and should be liable for the loss suffered by the Company in connection with the Acquisition, the Company will pursue necessary actions in due course.

Capital Structure

On 26 September 2019 (after trading hours), the Company entered into a note exchange agreement with High Inspiring Limited (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 convertible notes in the total outstanding principal amount of USD24,200,000 issued by the Company to the Investor with an initial principal amount of USD35,000,000 on 1 September 2017, for the notes in the aggregate principal amount of USD24,200,000 to be issued by the Company to the New Investor (the "**Notes**"). Closing was completed on the date of the Note Exchange Agreement and the convertible notes were cancelled simultaneously. Details of the aforementioned transaction were set out in the announcement of the Company dated 26 September 2019.

As of 30 June 2020, the outstanding principal amount under the Notes amounted to USD12,100,000. As mentioned above, the Group continued to maintain a stable financial position and healthy liquidity of assets. The Group has the ability to fulfill 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 Period. 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.

The wholesale service business and the automotive dealership and services business of the Group mainly take place in Mainland China and approximately 75% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in USD. As such, the Group's cash and cash equivalents and borrowings are mainly denominated in RMB and USD.

As at 30 June 2020, the total assets of the Group were RMB1,360,755,000 (31 December 2019: RMB1,937,231,000), which included: (1) share capital of RMB556,286,000 (31 December 2019: RMB556,286,000); (2) reserves of RMB(184,098,000) (31 December 2019: RMB255,313,000); and (3) debts of RMB988,567,000 (31 December 2019: RMB1,125,632,000).

Financial Guarantees and Pledge of Assets

As at 30 June 2020, the net book values of inventory, investment properties, property, plant and equipment and right-of-use assets pledged as security for the Group's bank borrowings totaled approximately RMB105,782,000 (31 December 2019: RMB178,168,000).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

Significant Investments

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

Exchange Risks

The Group's wholesale service business as well as automotive dealership and services business mainly take place in Mainland China, with the settlement currency being RMB. Hence, there is no exchange risk.

Approximately 75% of the revenue from the Group's manufacturing business was generated from the export of its products which was settled in USD. The materials used to produce such products 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 mitigate such exchange risks. As at 30 June 2020, the amount of the Group's USD borrowings was approximately USD11,744,000 (31 December 2019: USD4,000,000).

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2020, the Group employed a total of 1,296 full-time employees (30 June 2019: 3,128), of which 222 (30 June 2019: 504) 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 scheme as a long-term incentive scheme of the Group. Details of the share options scheme will be disclosed in the section headed "Other Information" of the interim report of the Company to be published 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.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: Nil).

Industrial Development and Business Progress

According to the latest industrial data of production and sales of automobiles released by the China Association of Automobile Manufacturers, under the impacts of the COVID-19 pandemic, the sales volume of passenger vehicles in Mainland China amounted to approximately 7.71 million for the Period, representing a year-on-year decrease of approximately 22.5% and a record high decline.

Automotive Dealership and Services Business of the Group

The Group's automotive dealership and services business network is located in the 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 the first half of 2020, the passenger vehicles market in the PRC continued to have negative growth due to the outbreak of the COVID-19 pandemic and the downward pressure faced by the macro economy in the PRC. The overall unfavorable market environment for the automotive industry in the PRC and the COVID-19 pandemic led to declines in consumer income revenue expectation and consumer sentiments for automobiles. Primarily due to the aforementioned reasons and that local banks in Inner Mongolia have tightened the standards for credit approval, the Group's automobile dealership stores recorded a plummet in revenue from operations for the first few months in 2020, despite of which, payments on fixed expenses such as rents, staff salaries and social security fees still had to be made, which led to unsatisfactory operating results in the first half of 2020. In the first half of 2020, the Group mainly implemented the following operating strategies for the automotive dealership and services business:

Firstly, considering the Group's available financial resources, we closed certain dealership stores with relatively unsatisfactory efficiency to reduce operating losses.

Secondly, we consolidated management departments at our headquarters to streamline 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 our 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 the second half of 2020:

Firstly, we will continue to optimize the structure of automotive brands under the Group's dealership to align with the general trend of consumption upgrade in automobiles, by introducing premium vehicle brands and midrange 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-round manner, with an aim of enhancing the operating efficiency.

Automotive Products Wholesale Business of the Group

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, which 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

In the first half of the year, our export business strengthened communication with customers to increase orders and flexibly coordinated production for ensuring supply on the basis of the gradual resumption of production. We sorted out customers' credit limits and account periods by analyzing their historical orders, payment credit, dynamic receivables, finished goods inventories and orders in production. In addition, we conducted systematic review on customer product structure and gross profit to optimize customer product structure and production organization model. In the second half of the year, we will strengthen the management and implement various business strategies of the export business in accordance with the established strategic arrangements; however, in regard to the impacts of the trade dispute between the PRC and the US, operations shall be monitored in a continuous manner in order to make timely adjustments accordingly.

By adhering to the principles of "seeking for survival, controlling categories, enhancing efficiency", our domestic sale business implemented various operating strategies such as collecting prepayment before taking orders, receiving full payments before shipment, reviewing product inventory, intensifying efforts in promotion of non-regular products and optimizing the star product service system, so as to improve its cash flow and efficiency in the use of resources.

In the first half of the year, the pre-installation business placed focus on ensuring supply, collecting payments in a timely manner and exploring new customers. Traditional OEM business recorded significant improvement in business volume, while the operations in connection to new energy vehicles were materially affected by the COVID-19 pandemic.

In the second half of 2020, the Group's manufacturing business will improve management efficiency, capture market opportunities with acumen, improve customer and product structures and enhance customer stickiness by implementing initiatives including optimizing personnel allocation, consolidating resources and increasing incentives.

Outlook

The size of the market for the principal businesses of the Group is substantial and there is still much room for development. However, the outbreak of COVID-19 in China in early 2020 has had relatively material and negative impacts on a number of operating entities, including the Group. As the impact of the said pandemic has been gradually mitigated in the second quarter of 2020, the Group will seize this chance to improve the operating results of all of its businesses as soon as possible.

CORPORATE GOVERNANCE AND OTHERS

Corporate Governance

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

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

1. Audit Committee:

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

2. Remuneration Committee:

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

3. Nomination Committee:

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

4. Strategy Committee:

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

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

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

Securities Transactions of Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. Having made specific enquiry with all Directors by the Company, all Directors confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2020.

Audit Committee

At present, the audit committee of the Company (the "**Audit Committee**") comprises Mr. Hu Yuming, Mr. Lin Lei and Mr. Wang Zhenyu. Mr. Hu Yuming and Mr. Lin Lei are independent non-executive Directors, 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 2020. The accounting information in this interim results announcement has not been audited but has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.nfa360.com). The 2020 interim report will be despatched to the shareholders of the Company in September 2020 and made available on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 31 August 2020

As at the date of this announcement, the Directors are: executive Director – TONG Fei; non-executive Directors – WANG Zhenyu and ZHANG Jianxing; and independent non-executive Directors – HU Yuming, LIN Lei and ZHANG Xiaoya.

* *For identification purposes only*