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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors of the Company that the Group is expected to record a net loss attributable to equity holders of the Company in the range of approximately RMB400 million to approximately RMB430 million for the First Half of 2020 as compared to a net loss attributable to equity holders of the Company from continuing operations of approximately RMB38 million for the corresponding period in 2019.

This announcement is made by New Focus Auto Tech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

* *For identification purposes only*

The board of directors (the “**Directors**”) of the Company (the “**Board**”) wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, based on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020 (the “**First Half of 2020**”) and other information currently available, the Group is expected to record a net loss attributable to equity holders of the Company in the range of approximately RMB400 million to approximately RMB430 million (the “**Expected Loss**”) for the First Half of 2020 as compared to a net loss attributable to equity holders of the Company from continuing operations of approximately RMB38 million for the corresponding period in 2019. It is expected that the Expected Loss would mainly include a net loss of approximately RMB60 million from continuing operations of the Group for the First Half of 2020 and an impairment loss in the range of approximately RMB340 million to approximately RMB370 million on the receivables of the Group (the “**Impairment Loss on Receivables**”). Besides, the Group is expected to record a consolidated revenue of approximately RMB379 million for the First Half of 2020, representing a decrease of approximately 64% as compared to that generated from continuing operations for the corresponding period in 2019 which was mainly due to the negative impact of the COVID-19 epidemic.

In assessing the Impairment Loss on Receivables, the Board considered, among others, the following factors:

1. the receivables on which most of the Impairment Loss on Receivables was recognised (the “**Account Receivables**”) was 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, which are primarily engaged in automobile and dealership and service businesses in Inner Mongolia (the “**Lifeng Dingsheng Group**”). According to the Lifeng Dingsheng Group, it suffered a significant negative impact caused by the COVID-19 epidemic during the First Half of 2020, where its business operations substantially decreased after the outbreak of the COVID-19 epidemic in early 2020, with a much less amount of revenue being generated during the First Half of 2020 as compared to the corresponding period in 2019 but having to continuously pay relevant fixed expenditures such as rent, salaries and social insurance-related expenses;
2. according to Lifeng Dingsheng, the local banks in Inner Mongolia have tightened their credit approval standards and have been proactively calling for repayment of loans from enterprises operating in Inner Mongolia in response to a decline in the local economy. The aforementioned change in policy of the banks caused huge stress on the cash flow of the Lifeng Dingsheng Group and had significantly increased the cost of raising fund to finance its operations during the First Half of 2020; and

3. Mr. Du Jinglei (“**Mr. Du**”), the former chairman of the Board and a former executive Director, allegedly committed crimes against a third party and has been arrested. A court trial on Mr. Du’s case was recently held in June 2020 and there is currently no information to indicate when the case will be finally determined. Mr. Du is the chairman of Lifeng Dingsheng and had been the key management personnel for the operations of the Lifeng Dingsheng Group. Mr. Du has also provided personal guarantee for loans provided to the Lifeng Dingsheng Group by financial institutions, which are closely related to or controlled by automobile manufacturers, and various banks. Mr. Du’s involvement in the criminal proceedings has brought an enormous adverse effect on the cash flow and operations of the Lifeng Dingsheng Group since some banks have been proactively calling for repayment of loans and certain automobile manufacturers have terminated or chosen not to renew their dealership authorisations previously granted to the Lifeng Dingsheng Group due to the said arrest of Mr. Du.

The Board is of the view that in light of the abovementioned circumstances, the profitability of the Lifeng Dingsheng Group and thus its ability to repay the debts owed to the Group have been severely impaired. Having considered the possible benefits, obstacles and expenditures, the Board has adopted some legitimate and effective methods including establishing an investigation team to conduct on-site due diligence investigation on the financial and operational conditions of the Lifeng Dingsheng Group, initiating legal proceedings against the relevant debtors and trying to secure pledge of assets and equity interests from third parties for collecting the Account Receivables to the extent practicable.

This announcement is made on the basis of the preliminary assessment by the Board of the unaudited management accounts of the Group for the First Half of 2020, which have not been reviewed by the auditors or the audit committee of the Company. The exact amount of the Impairment Loss on Receivables is still subject to possible adjustment pursuant to the relevant assessment conclusion to be obtained in accordance with the International Financial Reporting Standards.

The financial information of the Group for the First Half of 2020 will be disclosed in the forthcoming interim results announcement of the Company for the First Half of 2020 (the “**Interim Results Announcement**”) and the actual results may be different from what is disclosed in this announcement. Shareholders and potential investors of the Company are advised to read the Interim Results Announcement carefully when it is published.

Following the Company’s publication of the announcement dated 15 January 2020 (the “**3.7 Announcement**”), the Company is required to comply with the relevant requirements under the Code on Takeovers and Mergers (the “**Takeovers Code**”). The above figure of the Expected Loss contained in this announcement (the “**Profit Warning Information**”) constitutes a profit forecast under Rule 10 of the Takeovers Code and is required to be reported on by the Company’s financial advisers and its accountants or auditors in accordance with Rule 10.4 of the Takeovers Code. Since this announcement is required to be made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO, which require the Company to disclose any inside information as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Shareholders and potential investors of the Company should note that the Profit Warning Information does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. Shareholders and potential investors of the Company are advised to exercise caution when placing reliance on the Profit Warning Information in assessing the merits and demerits of the Possible Transaction (as defined in the 3.7 Announcement) (if the Possible Transaction eventually materialises) and dealing in the securities of the Company.

Pursuant to Rule 10.4 of the Takeovers Code, the reports from the Company's auditors and financial advisers on the Profit Warning Information are required to be included in the next document (the "**Document**") to be sent to the Shareholders by the Company in connection with the Possible Transaction (as defined in the 3.7 Announcement), if the Possible Transaction eventually materialises.

It is expected that the Interim Results Announcement will be published in August 2020. In the event that the Interim Results Announcement is published prior to the despatch of the Document, the requirement under Rule 10 of the Takeovers Code to report on the Profit Warning Information contained in this announcement will be superseded by the publication of the Interim Results Announcement. Otherwise, the Profit Warning Information contained in this announcement shall be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the Document to be sent to the Shareholders.

Shareholders and potential investors of the Company should be aware that there is no assurance that the Possible Transaction will proceed. Shareholders and potential investors of the Company are advised to exercise caution in placing reliance on this announcement in assessing the merits and demerits of the Possible Transaction and dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

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

Hong Kong, 6 August 2020

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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