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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of New Focus Auto Tech Holdings Limited (the "**Company**") announces the audited consolidated result of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Year**")together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Continuing operations:			
Revenue	3	**911,727**	1,750,632
Cost of sales and services		**(807,316)**	(1,610,550)
Gross profit		**104,411**	140,082
Other revenue and gains and losses, net	4	**(31,373)**	4,153
Allowance for expected credit loss on trade and other receivables, net		**(298,673)**	(16,044)
Distribution costs		**(101,629)**	(169,649)
Administrative expenses		**(81,232)**	(102,502)
Finance costs	5	**(42,880)**	(63,390)
Loss before taxation from continuing operations	6	**(451,376)**	(207,350)
Income tax (expense)/credit	7	**(22,282)**	33,804
Loss for the year from continuing operations		**(473,658)**	(173,546)
Discontinued operation			
Loss for the year from discontinued operations, net of income tax		**–**	(35,667)
Loss for the year		**(473,658)**	(209,213)
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(4,487)**	(4,427)
Items 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		**(26,724)**	(8,016)
Other comprehensive loss for the year, net of tax		**(31,211)**	(12,443)
Total comprehensive loss for the year		**(504,869)**	(221,656)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2020

	Note	**2020**	2019
	Note	***RMB'000***	*RMB'000*
Loss for the year attributable to			
Equity shareholders of the Company			
– from continuing operations		**(466,748)**	(159,947)
– from discontinued operations		**–**	(31,161)
		(466,748)	(191,108)
Non-controlling interests			
– from continuing operations		**(6,910)**	(13,599)
– from discontinued operations		**–**	(4,506)
		(6,910)	(18,105)
		(473,658)	(209,213)
Total comprehensive loss attributable to			
Equity shareholders of the Company			
– from continuing operations		**(497,959)**	(172,390)
– from discontinued operations		**–**	(31,161)
		(497,959)	(203,551)
Non-controlling interests			
– from continuing operations		**(6,910)**	(13,599)
– from discontinued operations		**–**	(4,506)
		(6,910)	(18,105)
		(504,869)	(221,656)
Loss per share:	*9*		
Basic and diluted (RMB cents)			
– from continuing operations		**(6.90)**	(2.36)
– from discontinued operations		**–**	(0.46)
– from continuing and discontinued operations		**(6.90)**	(2.82)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Renminbi)

	Note	**31 December 2020**	31 December 2019
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**82,991**	104,762
Right-of-use assets		**119,550**	130,262
Investment properties		**47,077**	48,639
Other intangible assets		**2,663**	2,663
Deferred tax assets		**16,786**	42,866
Financial assets at fair value through other comprehensive income		**9,492**	36,216
		278,559	365,408
Current assets			
Inventories		**131,535**	202,808
Tax recoverable		**568**	1,479
Trade receivables	*10*	**161,208**	146,541
Deposits, prepayments and other receivables		**654,798**	1,119,238
Amounts due from related parties		**–**	37,060
Cash and cash equivalents		**64,564**	64,697
		1,012,673	1,571,823
Current liabilities			
Trade payables	*11*	**283,514**	238,927
Accruals and other payables		**201,312**	181,787
Contract liabilities		**68,949**	82,016
Lease liabilities		**11,224**	12,329
Tax payable		**3,327**	4,106
Bank and other borrowings		**286,595**	489,982
		854,921	1,009,147
Net current assets		**157,752**	562,676
Total assets less current liabilities		**436,311**	928,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2020
(Expressed in Renminbi)

	Note	**31 December 2020** ***RMB'000***	31 December 2019 *RMB'000*
Non-current liabilities			
Lease liabilities		**98,842**	105,630
Deferred tax liabilities		**10,465**	10,855
Bank and other borrowings		**54,149**	–
		163,456	116,485
NET ASSETS		**272,855**	811,599
CAPITAL AND RESERVES			
Share capital	*12*	**556,286**	556,286
Reserves		**(261,896)**	239,611
Total equity attributable to equity shareholders of the Company		**294,390**	795,897
Non-controlling interests		**(21,535)**	15,702
TOTAL EQUITY		**272,855**	811,599

NOTES TO THE CONSOLIDATED 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

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by International Accounting Standards Board ("**IASB**"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The following provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

Application of amendments to IFRSs

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

In the current year, the Group has applied the Amendments to Reference to the Conceptual Framework in IFRS Standards and the following amendments to IFRS issued by International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to Reference to the Conceptual Framework in IFRS Standards and the 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 periods and/or on the disclosures set out in these consolidated financial statements.

2. BASIS OF PREPARATION (CONTINUED)

Application of amendments to IFRSs (continued)

New and amendments IFRSs in issue but 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:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[1]
Amendments IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

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

Continuing operations:

	2020	2019
	RMB'000	*RMB'000*
Recognised at a point in time:		
Sales of goods	**818,278**	1,528,631
Services income	**93,449**	222,001
	911,727	1,750,632

(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) the trading of automobile accessories (the "**Wholesale Business**"); and (iii) the operation of 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 resource allocation and assessment of segment performance.

Set out below is an analysis of segment information:

	Continuing operations								Discontinued operation			
	The Manufacturing Business		The Wholesale Business		Automobile Dealership and Service Business		Sub-total		The Retail Service Business		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
External revenue	**536,837**	468,050	**20,814**	61,285	**354,076**	1,221,297	**911,727**	1,750,632	**–**	195,815	**911,727**	1,946,447
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Segment revenue	**536,837**	468,050	**20,814**	61,285	**354,076**	1,221,297	**911,727**	1,750,632	**–**	195,815	**911,727**	1,946,447
Reportable segment results	**7,931**	(34,091)	**(10,651)**	(15,020)	**(358,849)**	(112,684)	**(361,569)**	(161,795)	**–**	(35,279)	**(361,569)**	(197,074)
Interest income	**2,347**	1,995	**32**	32	**316**	604	**2,695**	2,631	**–**	95	**2,695**	2,726
Unallocated interest income							**1,027**	1,110	**–**	–	**1,027**	1,110
Total interest income							**3,722**	3,741	**–**	95	**3,722**	3,836
Interest expenses	**(652)**	(1,142)	**(250)**	(102)	**(15,010)**	(23,835)	**(15,912)**	(25,079)	**–**	(6,607)	**(15,912)**	(31,686)
Unallocated interest expenses							**(26,968)**	(38,311)	**–**	–	**(26,968)**	(38,311)
Total interest expenses							**(42,880)**	(63,390)	**–**	(6,607)	**(42,880)**	(69,997)
Impairment loss on goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(19,967)	**–**	(19,967)
Depreciation and amortisation charges	**(14,285)**	(15,037)	**(1,526)**	(2,788)	**(14,172)**	(13,234)	**(29,983)**	(31,059)	**–**	(54,960)	**(29,983)**	(86,019)
Unallocated depreciation and amortisation charges							**(1,440)**	(2,677)	**–**	–	**(1,440)**	(2,677)
Total depreciation and amortisation charges							**(31,423)**	(33,736)	**–**	(54,960)	**(31,423)**	(88,696)
Reportable segment assets	**369,353**	322,070	**26,435**	41,026	**622,776**	1,164,724	**1,018,564**	1,527,820	**–**	–	**1,018,564**	1,527,820
Additions to capital expenditure	**1,424**	17,044	**274**	592	**2,326**	15,738	**4,024**	33,374	**–**	4,013	**4,024**	37,387
Unallocated additions to capital expenditure							**–**	7	**–**	–	**–**	7
Total capital expenditure *(note)*							**4,024**	33,381	**–**	4,013	**4,024**	37,394
Reportable segment liabilities	**421,566**	350,332	**20,354**	25,142	**407,751**	562,566	**849,671**	938,040	**–**	–	**849,671**	938,040

Note: Capital expenditure consists of addition to property, plant and equipment and additions of right-of-use assets.

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

Continuing operations:

	2020	2019
	RMB'000	*RMB'000*
Loss before taxation		
Reportable segment loss	**(361,569)**	(161,795)
Unallocated other revenue and gains and losses, net	**(6,830)**	17,210
Unallocated corporate expenses	**(56,009)**	(24,454)
Unallocated finance costs	**(26,968)**	(38,311)
Consolidated loss before taxation	**(451,376)**	(207,350)

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**1,018,564**	1,527,820
Unallocated corporate assets	**272,668**	409,411
Consolidated total assets	**1,291,232**	1,937,231
Liabilities:		
Reportable segment liabilities	**849,671**	938,040
Unallocated corporate liabilities	**168,706**	187,592
Consolidated total liabilities	**1,018,377**	1,125,632

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, 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 and partial 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 and other intangible assets ("**specified non-current assets**"):

	Revenue from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (Place of domicile)	**583,479**	1,400,043	**252,281**	286,326
America	**224,685**	299,446	**–**	–
Europe	**36,611**	17,381	**–**	–
Asia Pacific	**66,952**	33,762	**–**	–
	911,727	1,750,632	**252,281**	286,326

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 (2019: Nil) with whom transactions exceeded 10% of the Group's revenue.

4. OTHER REVENUE AND GAINS AND LOSSES, NET

	2020	2019
	RMB'000	*RMB'000*
Continuing operations:		
Fair value change of conversion option	**–**	13,624
Exchange (loss)/gain, net	**(1,141)**	2,021
Interest income	**3,722**	3,741
Fair value (loss)/gains on investment properties	**(1,563)**	2,158
Gross rentals from investment properties and other rental income	**2,574**	3,072
(Loss)/gain on disposal of property, plant and equipment	**(2,691)**	573
Government subsidies *(note)*	**2,045**	3,486
Written-off of other receivable	**(44,904)**	(15,000)
Reversal/(provision) of financial guarantee	**10,171**	(10,171)
Others	**414**	649
	(31,373)	4,153

Note: During the year, the Group recognised RMB2,045,000 (2019: RMB3,486,000) as government subsidies for high new technology on manufacturing of electronic and power related automotive parts.

5. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Continuing operations:		
Interests on convertible bonds	**–**	24,298
Interests on bank and other borrowings within five years	**37,805**	33,605
Interests on lease liabilities	**5,075**	5,487
	42,880	63,390

6. LOSS BEFORE TAXATION

Continuing operations:

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories*	**804,316**	1,609,971
Write-down of inventories	**3,000**	579
	807,316	1,610,550
Depreciation of property, plant and equipment and	**21,257**	22,812
Depreciation of right-of-use assets	**10,166**	10,924
Allowance for expected credit losses on trade receivables, other receivables and amounts due from related parties	**298,673**	16,044
Written-off of other receivables	**44,904**	15,000
Auditors' remuneration		
– audit services	**2,500**	2,930
– other services	**–**	–
Gross rentals from investment properties	**2,574**	3,072
Less: Direct operating expenses incurred	**(1,894)**	(1,441)
	680	1,631
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**64,820**	152,645
Retirement scheme contributions	**7,255**	19,057
Other benefits	**1,485**	2,363
Total employee benefit expenses	**73,560**	174,065

* Costs of inventories includes RMB52,274,000 (2019: RMB46,422,000) relating to employee benefit expenses and depreciation, which are also included in the respective total amounts disclosed separately above.

7. INCOME TAX

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

	2020	2019
	RMB'000	*RMB'000*
Current Tax		
Provision for the year	**908**	10,506
Under/(over)-provision in respect of prior year	**3,703**	(12,236)
	4,611	(1,730)
Deferred tax		
Origination and reversal of temporary differences, net	**17,671**	(31,685)
	22,282	(33,415)
Continuing operations	**22,282**	(33,804)
Discontinued operations	**–**	389
	22,282	(33,415)

(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 2020 and 2019. 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% (2019: 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% (2019: 15%) for three years from 1 January 2018.

8. DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil). No interim dividend was declared in respect of the year ended 31 December 2020 (2019: Nil).

9. LOSS PER SHARE

(a) Basic loss 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 operations of RMB466,748,000 (2019: loss attributable to ordinary equity holders of the Company from continuing and discontinued operations of RMB191,108,000) and the weighted average number of ordinary shares of 6,767,636,000 (2019: 6,767,636,000) during the year.

For the years ended 31 December 2020 and 2019, basic and diluted loss per share from continuing and discontinued operations were the same as the effect of the potential ordinary shares including the Company's share options 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 RMB466,748,000 (2019: RMB159,947,000) and the weighted average number of ordinary shares of 6,767,636,000 (2019: 6,767,636,000) during the year.

For the years ended 31 December 2020 and 2019, basic and diluted loss per share from continuing operations were the same as the effect of the potential ordinary shares including the Company's share options are anti-dilutive.

Discontinued operation

As at 31 December 2019, the computation of the basic loss per share amount from discontinued operation are based on loss for the period attributable to ordinary equity holders of the Company from discontinued operations of RMB31,161,000 and the weighted average number of ordinary shares of 6,767,636,000 during the year ended 31 December 2019.

For the year ended December 2019, basic and diluted loss per share from discontinued operation were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.

10. TRADE RECEIVABLES

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Trade receivables	**163,685**	147,932
Less: allowance for expected credit loss	**(2,477)**	(1,391)
	161,208	146,541

(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:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Current to 30 days	**47,991**	52,102
31 to 60 days	**48,154**	33,439
61 to 90 days	**19,202**	12,278
Over 90 days	**48,338**	50,113
	163,685	147,932
Less: allowance for expected credit loss	**(2,477)**	(1,391)
	161,208	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:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Current to 30 days	**170,168**	135,245
31 to 60 days	**19,353**	18,268
61 to 90 days	**10,409**	13,474
Over 90 days	**83,584**	71,940
	283,514	238,927

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

12. SHARE CAPITAL

	2020		2019	
	Number of shares *'000*	**Amount** *HK$'000*	Number of shares *'000*	Amount *HK$'000*
Authorised				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000

	2020			2019		
	Number of shares *'000*	**Amount** *HK$'000*	**Amount** *RMB'000*	Number of shares *'000*	Amount *HK$'000*	Amount *RMB'000*
Issued and fully paid:						
At the beginning and end of the year	**6,767,636**	**676,764**	**556,286**	6,767,636	676,764	556,286

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2020, the Group is committed to the research and development, manufacturing and sales of automotive electronic products, as well as construction and development of automobile dealership 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 service 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 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 RMB911,727,000 (2019: RMB1,750,632,000), representing a decrease of approximately 47.92%, 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 service business of the Group.

The consolidated revenue of the wholesale service business of the Group was approximately RMB20,814,000 (2019: RMB61,285,000), representing a decrease of approximately 66.04%, 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 RMB536,837,000 (2019: RMB468,050,000), representing an increase of approximately 14.70%, which was mainly attributable to the active sourcing of new customers, optimization of customer and product structure, as well as the increase in selling price of products for certain customers.

The consolidated revenue of the Group's automobile dealership and service business was approximately RMB354,076,000 (2019: RMB1,221,297,000), representing a decrease of approximately 71.01%. Such decrease was mainly attributable to two reasons: firstly, the operations of automobile dealer shops were suspended for a long time during the Year under the impact of the COVID-19 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 service 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 from continuing operation for the Year was approximately RMB104,411,000 (2019: RMB140,082,000), representing a decrease of approximately 25.46%; gross profit margin increased from 8.00% to 11.45%. The decrease in gross profit was primarily attributable to the significant decrease in revenue from the wholesale service business and the automobile dealership and service business of the Group for the Year as compared with last year. The increase in gross profit margin was primarily attributable to the decrease in the proportion of the revenue from the automobile dealership and service business with relatively low profit margin to the Group's total revenue for the Year as compared with last year.

The gross profit of the Group's wholesale service business was approximately RMB3,975,000 (2019: RMB10,757,000), representing a decrease of approximately 63.05%; gross profit margin increased from approximately 17.55% to approximately 19.10%. The decrease in gross profit was mainly attributable to the significant decrease in revenue for the Year as compared with last year; while the increase in gross profit margin was mainly attributable to the optimization of product structure and the elimination of products with low gross profit margin of the wholesale business during the Year.

The gross profit of the Group's manufacturing business was approximately RMB86,424,000 (2019: RMB72,553,000), representing an increase of approximately 19.12%. The gross profit margin increased from approximately 15.50% to approximately 16.10%. The increase in gross profit was mainly attributable to the increase in revenue for the Year as compared with last year. The increase in gross profit margin was primarily attributable to the optimization of customer structure and product structure, the decrease in proportion of sales revenue from products with low gross profit margin and the increase in selling price for certain customers.

The gross profit of the Group's automobile dealership and service business was approximately RMB14,012,000 (2019: RMB56,772,000), representing a decrease of approximately 75.32%; gross profit margin decreased from approximately 4.65% to approximately 3.96%. The decrease in gross profit was mainly attributable to the significant decrease in revenue for the Year as compared with last year. The decrease in gross profit margin was primarily attributable 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 losses from continuing operations for the Year was approximately RMB31,373,000 (2019: gain of RMB4,153,000). The turnaround from gain to loss was mainly due to the increase of RMB29,904,000 in impairment loss arising from the written-off of other receivable during the Year as compared with that of 2019. Moreover, 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 2020 (the "**CCBC Convertible Notes**") of the Company, which was issued to High Inspiring Limited, an indirect wholly-owned subsidiary of China Construction Bank Corporation, on 1 September 2017, recording a revenue of RMB13,624,000 in 2019, while there was no such revenue during the Year.

Expenses

The distribution costs from continuing operations for the Year were approximately RMB101,629,000 (2019: RMB169,649,000), representing a decrease of approximately 40.09%, 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 during the Year.

The administrative expenses from continuing operations for the Year were approximately RMB81,232,000 (2019: RMB102,502,000), representing a decrease of approximately 20.75%, 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 from continuing operations for the Year was approximately RMB298,673,000 (2019: RMB16,044,000). 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 service business in Inner Mongolia. For the reasons and other details for impairment on Receivables for the Year, please refer to the section headed "Collection of Receivables" in this announcement.

Operating loss

The operating loss from continuing operations of the Group during the Year was approximately RMB408,496,000 (2019: RMB143,960,000). The increase in loss was mainly attributable to the increase in impairment loss on the Group's trade and other receivables of RMB282,629,000 for the Year as compared with that of 2019 (the "**Increase in Impairment Loss**").

Finance costs

The finance costs from continuing operation for the Year amounted to approximately RMB42,880,000 (2019: RMB63,390,000), representing a decrease of approximately 32.36%. Such decrease was mainly attributable to the interest expenses of approximately RMB24,298,000 incurred in relation to the CCBC Convertible Notes in 2019, while there were no such expenses this Year.

Taxation

The income tax expenses from continuing operation for the Year were approximately RMB22,282,000 (2019: income tax credit of approximately RMB33,804,000).

Loss 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 RMB466,748,000 (2019: RMB191,108,000). Excluding the Increase in Impairment Loss, the loss attributable to equity shareholders of the Company would have decreased by RMB6,989,000 as compared with that of 2019, which was mainly due to the strict control of costs and various expenditures during the Year. The loss per share from continuing and discontinued operations during the Year was approximately RMB6.90 cents (2019: loss per share of RMB2.82 cents).

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 RMB210,994,000 (2019: RMB53,584,000).

Non-current assets were approximately RMB278,559,000 as at 31 December 2020 (31 December 2019: RMB365,408,000).

Net current assets were approximately RMB157,752,000 as at 31 December 2020 (31 December 2019: RMB562,676,000).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 78.87% as at 31 December 2020 (31 December 2019: 58.11%). The increase in gearing ratio was mainly due to the recognition of impairment loss on the Receivables from Lifeng Dingsheng Group during the Year.

As at 31 December 2020, the total bank and other borrowings of the Group were approximately RMB340,744,000 (31 December 2019: RMB489,982,000), of which approximately 31.79% were made in United States Dollars ("**USD**") and approximately 68.21% were made in Renminbi ("**RMB**"). All of the borrowings were repayable at fixed interest rates, of which approximately RMB286,595,000 was repayable within one year and approximately RMB54,149,000 was repayable after one year but within five years.

The Group’s need for borrowings was generally stable during the Year. As at 31 December 2020, the committed borrowing facilities available to but not utilized by the Group amounted to approximately RMB9,933,000. The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation.

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 Company, and its subsidiaries (“**Lifeng Dingsheng Receivables**”). As of 31 December 2020, the Lifeng Dingsheng Receivables amounted to approximately RMB613,482,000. 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 of the Company and chairman of the Board. 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 holds the position of chairman. On 1 July 2019, Mr. Du resigned as the executive director and chairman of the Board of the Company. 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.

At the end of June 2020, Mr. Du’s case was heard by the court for the first time. The case is currently under trial and the court has not made a final judgement.

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. The investigation team led by Mr. Zhao Yufeng, the newly appointed Chief Executive Officer of the Company, thereafter travelled to Inner Mongolia several times 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, and no substantial improvement has been made in its operation up to now;

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 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 were 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 considerations, the Company has provided for a significant amount of impairment losses on the Lifeng Dingsheng Receivables as disclosed in the 2020 interim report of the Company.

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

1. Has completed the charge 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 charged 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 procured Lifeng Dingsheng to charge its equity interests in several of its subsidiaries to the Group.

Based on the above measures adopted, the Board considers that it is not necessary to further provide for the impairment of Lifeng Dingsheng Receivables. The management of the Group will monetize its charged entity interests and creditor's right in a reasonable manner in due course in order to collect the Lifeng Dingsheng Receivables.

Capital Structure

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 75% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in USD, while other businesses were all in mainland China. As such, the Group's cash and cash equivalents and borrowings are denominated in RMB and USD.

As at 31 December 2020, the total assets of the Group were RMB1,291,232,000 (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(283,431,000) (31 December 2019: RMB255,313,000); and (3) debts of RMB1,018,377,000 (31 December 2019: RMB1,125,632,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2020, the net book values of inventory, investment properties, property, plant and equipment and right-of-use assets/leasehold land and land use rights pledged as security for the Group's bank borrowings totaled approximately RMB86,921,000 (31 December 2019: RMB178,168,000).

Acquisition and Disposal of Subsidiaries

On 2 July 2020, Inner Mongolia Chuangying, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Xilinguolemeng Lifeng Xinlu Second-hand Auto Vehicle Market Co., Ltd.* (錫林郭勒盟利豐心路舊機動車交易市場有限責任公司, "**Lifeng Xinlu**"). Pursuant to the equity transfer agreement, Lifeng Xinlu agreed to acquire 54.5% equity interests in Hinggan Lifeng Taiyu Motor Sales Co., Ltd.* (興安盟利豐泰宇汽車銷售有限公司, "**Hinggan Taiyu**") held by Inner Mongolia Chuangying (the "**Hinggan Taiyu Equity Disposal**") at the transfer consideration of RMB4,409,772. After completion of the Hinggan Taiyu Equity Disposal on 2 July 2020, Hinggan Taiyu ceased to be a subsidiary of the Company.

On 3 July 2020, Inner Mongolia Chuangying entered into an equity transfer agreement with Xilinguolemeng Zhongyi Trading Co., Ltd.* (錫林郭勒盟眾壹商貿有限公司, "**Zhongyi Trading**"). Pursuant to the equity transfer agreement, Zhongyi Trading agreed to acquire 54.5% equity interests in Ulanhot Lifeng Taidi Automobile Sales and Services Co., Ltd.* (烏蘭浩特市利豐泰迪汽車銷售服務有限公司), 54.5% equity interests in Hinggan Taihong Wuling Motor Sales Co., Ltd.* (興安盟泰宏五菱汽車銷售有限公司) and 100% equity interests in Hinggan Lifeng Taiyu Automobile Services Co., Ltd.* (興安盟利豐泰裕汽車服務有限公司) held by Inner Mongolia Chuangying (the "**Equity Disposal of Three Companies**") at the transfer consideration of RMB990,385, RMB4,350,434 and RMB8,387,167, respectively, totalling RMB13,727,986. After completion of the Equity Disposal of Three Companies on 3 July 2020, the above three companies ceased to be subsidiaries of the Company.

Each of Lifeng Xinlu, Zhongyi Trading and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons, and the disposals did not constitute notifiable transactions or connected transactions of the Company under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 business as well as automotive dealership and service 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 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 31 December 2020, the amount of the Group's USD borrowings was approximately USD16,499,000 (31 December 2019: USD4,000,000).

Other Material Risks and Uncertainties

The Group faces other material risks and uncertainties, which mainly include the future development of the PRC's economy and Sino-US relationship. Should the PRC's economy suffer from downturn, the willingness and capability of consumers in purchasing new automobiles and automobile-related products and services will be negatively affected, which will in turn reduce the revenue of the automobile dealership and services business of the Group. As the US is the major export market of the Group's manufacturing business, should the Sino-US relationship deteriorates, the results of the manufacturing business of the Group may be affected. 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. Meanwhile, the Group will strive to expand the domestic market for its manufacturing business, so as to reduce the reliance on the export market.

Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed a total of 1,142 full-time employees (31 December 2019: 1,591), of which 251 (31 December 2019: 284) 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 "Report of the Directors" of the 2020 annual report of the Company. The 2020 annual report of the Company will be published and despatched in accordance with 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 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》) and the Law on Advertising of the People's Republic of China (《中華人民共和國廣告法》.

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

According to the statistics of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in the PRC was approximately 20,178,000 for the Year, representing a decrease of approximately 6.0% as compared with 2019. Based on the analysis of China Association of Automobile Manufacturers, the COVID-19 pandemic in early 2020 caused grim challenges and major difficulties to the automobile industry. Such a downward trend is yet to be reversed even as the improving pandemic situation lifted the industrial climate in the second half of the Year.

Automotive Dealership and Services Business of the Group

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 the first half of 2020, the Chinese passenger vehicles market sustained its negative growth amid the COVID-19 outbreak and the macroeconomic downturn in China. Such unfavorable market environment across the Chinese automobile industry, together with the COVID-19 pandemic, dampened income expectations and automobile demands among consumers. Primarily due to the above reasons and the tightening standards for credit approval by local banks in Inner Mongolia, the Group recorded a plunge in business revenue from its dealer shops in the first few months of 2020, coupled with the continued necessity to pay such fixed expenses as rents, employee salaries and social insurance contributions. This led to unsatisfactory operating results in the first half of 2020. During the second half of 2020, affected by the COVID-19 resurgence in Hebei Province and the positive results of nucleic acid test for the outer packaging of automotive parts in multiple locations, the Group's automobile parks cooperated with local governments on quarantine operations for nearly three months to prevent the spread of the epidemic, which battered the procurement and sales of vehicles as well as automotive parts and components in November and December 2020.

The Group mainly implemented the following operating strategies for the automotive dealership and services business in 2020:

Firstly, we closed certain dealer shops with poor operating efficiency, and integrated and leased relevant idle fixed assets.

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 introduced automotive brands that suit the habits of local customers, such as EXEED (星途).

Fourthly, we gradually restored such brand licensing that ceased operations under the COVID-19 impact, such as Dongfeng Peugeot (東風標緻) and GAC FCA (廣汽菲克).

Fifthly, we started operating the derivative business of automobile sales such as second-hand automobile dealership and agency for vehicle license application.

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 2021:

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 new energy vehicle brands and resuming the dealership of our proprietary 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.

Automotive Products Wholesale Business of the Group

The Group operated the automotive products 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

The export business of the Group was affected by the COVID-19 pandemic in 2020. On top of work and production resumption, we optimized the structures of our product category and pricing as well as production organization model from the perspectives of customer and order structures, payment credit, dynamic receivables, finished goods inventories and order data analysis. As such, we saw a marked increase in the export business in the second half of the Year. We will strengthen our management and implement various operating strategies according to the established strategic arrangements. Given that our manufacturing business will remain affected by the Sino-US trade war, the fluctuation of RMB exchange rate and the price fluctuation of bulk materials, we need to continuously observe the trends of market operation and strengthen our communication with suppliers and customers to timely adjust our strategies.

Our pre-installation business focuses on ensuring supply, collecting payments in a timely manner and exploring new customers. We recorded a much larger volume of our traditional OEM business, whereas the operations relating to new energy vehicles were materially affected by the COVID-19 pandemic. By adhering to the principles of "seeking survival, controlling categories, enhancing efficiency", we implemented various operating strategies in our domestic sale business, such as collecting prepayment before taking orders, receiving full payments before shipment, reviewing product inventory, intensifying the promotion of non-regular products and optimizing the star product service system, through which our cash flow and resource utilization efficiency significantly improved.

The general operating results of the Group's manufacturing business still advanced significantly under the impact of the COVID-19 pandemic, with progress made in appealing to new customers and launching new products.

In respect of its manufacturing business, the Group will improve management efficiency and capture market opportunities with acumen in 2021, through an optimized organizational structure, more team incentives and further resource integration, so as to further improve its performance on top of better customer and product structures and greater customer stickiness.

Business Optimization, Acquisition and Outlook

In 2021, 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.

CORPORATE GOVERNANCE

The Board believes that good corporate governance practice is the key to business growth and management of the Group. The Company has applied the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout 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.

SECURITIES TRANSACTIONS OF DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises a total of three members, being 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 consolidated financial statements for the Year in conjunction with the Company's external auditors, HLB Hodgson Impey Cheng Limited, Certified Public Accountants ("**HLB**"). The financial information set out in this announcement represents an extract from these consolidated financial statements.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2019: 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 30 June 2020, and there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on 30 June 2021 and the notice of annual general meeting will be published and despatched in accordance with the requirements under the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 23 June 2021 to 30 June 2021 (both days inclusive), during which no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 22 June 2021.

SCOPE OF WORK OF HLB

The figures in respect of the announcement of the Group's results for the Year have been compared by HLB to the amounts set out in the Group's audited financial statements for the Year and the amounts were found to be in agreement. The work performed by HLB in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (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.

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

Hong Kong, 30 March 2021

As at the date hereof, the Directors of the Company 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*