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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021, together with unaudited comparative figures for the corresponding period of 2020, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	385,374	379,321
Cost of sales and services		(334,635)	(350,047)
Gross profit		50,739	29,274
Other revenue and gains and losses, net	5	883	14,902
Allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables, net		(3,591)	(352,395)
Distribution costs		(32,735)	(45,128)
Administrative expenses		(36,822)	(39,967)
Finance costs	6	(17,108)	(21,133)
Loss before taxation		(38,634)	(414,447)
Income tax (expense)/credit	7	(1,301)	2,006
Loss for the period		(39,935)	(412,441)

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

For the six months ended 30 June 2021

(Expressed in Renminbi)

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		2,811	(1,976)
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		(9,492)	(24,994)
		<u>(6,681)</u>	<u>(26,970)</u>
Other comprehensive income/(loss) for the period, net of tax			
		<u>(6,681)</u>	<u>(26,970)</u>
Total comprehensive loss for the period			
		<u>(46,616)</u>	<u>(439,411)</u>
Loss for the period attributable to			
– Equity shareholders of the Company		(37,136)	(406,787)
– Non-controlling interests		(2,799)	(5,654)
		<u>(39,935)</u>	<u>(412,441)</u>
Total comprehensive loss attributable to			
– Equity shareholders of the Company		(43,817)	(433,757)
– Non-controlling interests		(2,799)	(5,654)
		<u>(46,616)</u>	<u>(439,411)</u>
Loss per share			
Basic (RMB cents)	8	<u>(0.549)</u>	<u>(6.011)</u>
Diluted (RMB cents)		<u>(0.549)</u>	<u>(6.011)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Expressed in Renminbi)

		At 30 June 2021	At 31 December 2020
	<i>Note</i>	RMB'000 <i>(Unaudited)</i>	RMB'000 <i>(Audited)</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		76,276	82,991
Right-of-use assets		115,127	119,550
Investment properties		47,077	47,077
Other intangible assets		2,663	2,663
Deferred tax assets		18,022	16,786
Financial assets at fair value through other comprehensive income	10	—	9,492
		259,165	278,559
Current assets			
Inventories		135,687	131,535
Tax recoverable		569	568
Trade receivables	11	161,479	161,208
Deposits, prepayments and other receivables		599,778	654,798
Cash and cash equivalents		39,013	64,564
		936,526	1,012,673
Current liabilities			
Trade payables	12	268,226	283,514
Accruals and other payables		181,516	201,312
Contract liabilities		59,303	68,949
Lease liabilities		9,720	11,224
Tax payable		4,087	3,327
Bank and other borrowings		285,378	286,595
		808,230	854,921
Net current assets		128,296	157,752
Total assets less current liabilities		387,461	436,311

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2021
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		97,145	98,842
Deferred tax liabilities		10,465	10,465
Bank and other borrowings		53,612	54,149
		<u>161,222</u>	<u>163,456</u>
NET ASSETS		<u>226,239</u>	<u>272,855</u>
CAPITAL AND RESERVES			
Share capital		556,286	556,286
Reserves		(327,900)	(284,083)
Total equity attributable to equity shareholders of the Company		228,386	272,203
Non-controlling interests		(2,147)	652
TOTAL EQUITY		<u>226,239</u>	<u>272,855</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(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 2021	556,286	1,529,347	(1,813,430)	272,203	652	272,855
Loss for the period	-	-	(37,136)	(37,136)	(2,799)	(39,935)
Other comprehensive loss for the period	-	(6,681)	-	(6,681)	-	(6,681)
Total comprehensive loss for the period	-	(6,681)	(37,136)	(43,817)	(2,799)	(46,616)
Balance at 30 June 2021	556,286	1,522,666	(1,850,566)	228,386	(2,147)	226,239
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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021

(Expressed in Renminbi)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated (used in)/from operations	(14,349)	32,277
Income tax paid	(2,071)	(668)
Net cash (used in)/generated from operating activities	(16,420)	31,609
Investing activities		
Net cashflows for disposal of a subsidiary	–	(561)
Purchase of property, plant and equipment	(2,420)	(740)
Loans repaid by third parties	3,320	15,500
Other cash flows arising from investing activities	350	150
Net cash generated from investing activities	1,250	14,349
Financing activities		
Net decrease in bank and other borrowings, secured	(647)	(34,000)
Payment of lease liabilities	(5,608)	(6,198)
Other cash flows arising from financing activities	(4,126)	(9,577)
Net cash used in financing activities	(10,381)	(49,775)
Net decrease in cash and cash equivalents	(25,551)	(3,817)
Cash and cash equivalents, beginning of period	64,564	64,697
Cash and cash equivalents, end of period	39,013	60,880

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 incorporated 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 2021 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 30 August 2021.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 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 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2021.

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 and services provided to customers and is analysed as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Recognised at a point in time:		
Sale of goods	359,261	353,816
Service income	26,113	25,505
	<u>385,374</u>	<u>379,321</u>

Automobile repair, maintenance and restyling service are typically provided for a period of one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(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.

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**”).

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central income and 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.

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Set out below is an analysis of segment information:

	The Manufacturing Business RMB'000 (Unaudited)	The Wholesale Business RMB'000 (Unaudited)	The Automobile Dealership and Service Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2021				
Revenue				
External revenue	239,294	7,444	138,636	385,374
Inter-segment revenue	—	—	—	—
Segment revenue	<u>239,294</u>	<u>7,444</u>	<u>138,636</u>	<u>385,374</u>
Less: inter-segment revenue				—
Total revenue				<u>385,374</u>
Reportable segment results	12,660	(4,401)	(20,934)	(12,675)
Interest income	34	9	30	73
Unallocated interest income				<u>12</u>
Total interest income				<u>85</u>
Interest expenses	(227)	(744)	(6,466)	(7,437)
Unallocated interest expenses				<u>(9,671)</u>
Total interest expenses				<u>(17,108)</u>
Depreciation and amortisation charges	(6,955)	(255)	(6,774)	(13,984)
Unallocated depreciation and amortisation charges				<u>(720)</u>
Total depreciation and amortisation charges				<u>(14,704)</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2021 RMB'000 <i>(Unaudited)</i>	2020 RMB'000 <i>(Unaudited)</i>
Loss before tax		
Reportable segment loss	(12,675)	(358,392)
Unallocated other revenue and gains and losses, net	(1,313)	3,057
Unallocated corporate expenses	(14,975)	(45,721)
Unallocated finance costs	(9,671)	(13,391)
Consolidated loss before taxation	<u>(38,634)</u>	<u>(414,447)</u>
	At 30 June 2021 RMB'000 <i>(Unaudited)</i>	At 31 December 2020 RMB'000 <i>(Audited)</i>
Assets		
Reportable segment assets	970,671	1,018,564
Unallocated corporate assets	225,020	272,668
Consolidated total assets	<u>1,195,691</u>	<u>1,291,232</u>
Liabilities		
Reportable segment liabilities	803,145	849,671
Unallocated corporate liabilities	166,307	168,706
Consolidated total liabilities	<u>969,452</u>	<u>1,018,377</u>

(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 2021 RMB'000 <i>(Unaudited)</i>	2020 RMB'000 <i>(Unaudited)</i>	At 30 June 2021 RMB'000 <i>(Unaudited)</i>	At 31 December 2020 RMB'000 <i>(Audited)</i>
PRC (Place of domicile)	196,366	236,063	241,143	252,281
America	158,247	119,110	–	–
Europe	4,870	6,597	–	–
Asia Pacific	25,891	17,551	–	–
	<u>385,374</u>	<u>379,321</u>	<u>241,143</u>	<u>252,281</u>

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Major customers

During the six months ended 30 June 2021, 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reversal of financial guarantee provision	–	10,171
Interest income	85	501
Exchange (loss)/gain, net	(2,769)	2,817
Gross rentals from investment properties and other rental income	1,212	980
Government subsidies	657	1,262
Others	1,698	(829)
	<u>883</u>	<u>14,902</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interests on bank borrowings		
– wholly repayable within five years	14,700	18,548
Interest from lease liabilities	2,408	2,585
	<u>17,108</u>	<u>21,133</u>

7. INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	2,537	2,051
Deferred tax	(1,236)	(4,057)
	<u>1,301</u>	<u>(2,006)</u>

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 2021 (30 June 2020: 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated) (Unaudited)
Loss for the period attributable to the equity shareholders of the Company, used in the basic and diluted loss per share calculation	<u>(37,135)</u>	<u>(406,787)</u>
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	<u>6,767,636,215</u>	<u>6,767,636,215</u>

* No adjustment is made to the diluted loss per share for the six months ended 30 June 2021 (30 June 2020: Nil) 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 2021 (30 June 2020: Nil).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Financial assets at FVTOCI		
Unlisted equity securities*	<u>–</u>	<u>9,492</u>

* The Group invested unlisted equity securities at cost of RMB13,299,000. As at 30 June 2021, the fair value loss of unlisted equity securities, amounting to approximately RMB9,492,000 (30 June 2020: loss of RMB24,994,000) was recognised to other comprehensive income. These investments are not held for trading and represent the Group's equity interest in a private entity. The Directors have elected to designate these investment at FVTOCI.

According to the latest information received by the Group, the investee company corresponding to these investment has many serious operating problems. The Group reduced the fair value of these investment to zero after referring to the professional valuation report issued by an independent professional qualified valuer.

11. TRADE RECEIVABLES

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Current to 30 days	49,925	47,991
31 to 60 days	37,294	48,154
61 to 90 days	23,422	19,202
Over 90 days	52,735	48,338
	<u>163,376</u>	<u>163,685</u>
Less: allowance for ECL	<u>(1,897)</u>	<u>(2,477)</u>
	<u>161,479</u>	<u>161,208</u>

12. TRADE PAYABLES

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Current to 30 days	97,217	170,169
31 to 60 days	32,192	19,353
61 to 90 days	25,936	10,408
Over 90 days	112,881	83,584
	<u>268,226</u>	<u>283,514</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group focused on the research and development, manufacturing and sales of automotive electronic products, as well as the 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 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 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.

Results Highlights

Revenue

For the six months ended 30 June 2021 (the “**Period**”), the consolidated revenue of the Group was approximately RMB385,374,000 (corresponding period of 2020: RMB379,321,000), representing an increase of approximately 1.60%, which was primarily due to the relatively serious impact of the COVID-19 pandemic on the Group's revenue for the corresponding period of 2020, and there was an improvement of the Group's performance during the Period.

The consolidated revenue of the wholesale service business of the Group was approximately RMB7,444,000 (corresponding period of 2020: RMB11,781,000), representing a decrease of approximately 36.81%, which was primarily due to the adjustment of product structure, and the divestment of businesses with lower gross profit margin during the Period.

The consolidated revenue of the manufacturing business of the Group was approximately RMB239,294,000 (corresponding period of 2020: RMB195,373,000), representing an increase of approximately 22.48%, which was mainly attributable to the impact of the preventive policy of COVID-19 pandemic in early 2020 that led to a longer period of work suspension, and the negative impact of the preventive policy on production operations was reduced during the Period.

The consolidated revenue of the Group's automobile dealership and services business was approximately RMB138,636,000 (corresponding period of 2020: RMB172,167,000), representing a decrease of approximately 19.48%, which was mainly attributable to the adjustment on the combination of the automobile brands distributed by the Group's automobile dealership and services business, and the continued tightening of credit policy by local banks in Inner Mongolia.

Gross profit and gross profit margin

The consolidated gross profit of the Group for the Period was approximately RMB50,739,000 (corresponding period of 2020: RMB29,274,000), representing an increase of approximately 73.32%. The gross profit margin increased from 7.72% for the corresponding period of 2020 to 13.17%. The increase in gross profit and gross profit margin was primarily attributable to the adjustment of product structure for the Period, with an increase in the proportion of sales of products with high gross profit margin, and the increase in selling price for certain goods.

The gross profit of the Group's wholesale service business was approximately RMB1,944,000 (corresponding period of 2020: RMB1,489,000), representing an increase of approximately 30.56%. The gross profit margin increased from approximately 12.64% for the corresponding period of 2020 to approximately 26.11%. The increase in gross profit and gross profit margin was mainly attributable to the divestment of businesses with lower gross profit margin for the Period, and the fact that the operating strategy of the promotion of products at low prices, which was implemented for the corresponding period of 2020, was not adopted during the Period.

The gross profit of the Group's manufacturing business was approximately RMB40,557,000 (corresponding period of 2020: RMB27,992,000), representing an increase of approximately 44.89%. The gross profit margin increased from approximately 14.33% for the corresponding period of 2020 to approximately 16.95%. The increase in gross profit was mainly attributable to the increase in revenue for the Period as compared to that for the corresponding period of 2020. The increase in gross profit margin was primarily attributable to the adjustment of product structure for the Period with an increase in the proportion of sales of products with high gross profit margin.

The gross profit of the Group's automobile dealership and services business was approximately RMB8,238,000 (corresponding period of 2020: gross loss of RMB207,000). The gross loss margin of 0.12% for the corresponding period of 2020 turned into the gross profit margin of 5.94%. The turnaround from gross loss to gross profit and the turnaround from gross loss margin to gross profit 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 the COVID-19 pandemic on the Group's automobile dealership and services business, as well as the tightening of credit policies by local banks in Inner Mongolia for the corresponding period of 2020. In order to rapidly recoup funds and mitigate operating pressures, the Group's automobile dealership and services business subsequently supplied goods and services to the market by adopting promotion at low price. During the Period, promotion at low price was reduced and the selling prices of goods gradually increased.

Expenses

The distribution costs for the Period were approximately RMB32,735,000 (corresponding period of 2020: RMB45,128,000), representing a decrease of approximately 27.46%, which was mainly attributable to the decrease in wages and bonuses for sales personnel, and other sales expenses as a result of the decline in consolidated revenue of the wholesale service business and the automobile dealership and services business for the Period.

The administrative expenses for the Period were approximately RMB36,822,000 (corresponding period of 2020: RMB39,967,000), representing a decrease of approximately 7.87%, which was mainly due to the Group's control of the number of management personnel and the reduction of administrative expenses.

The net allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables for the Period was approximately RMB3,591,000 (corresponding period of 2020: RMB352,395,000), representing a decrease of approximately 98.98%. The decrease was mainly due to an expected credit loss provision of a larger amount being made on the debt owed by Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) and its subsidiaries and associates (“**Lifeng Dingsheng Receivables**”), for the corresponding period of 2020, while a smaller amount of impairment was made on the Lifeng Dingsheng Receivables during the Period. For the details of the Lifeng Dingsheng Receivables, please refer to the Company's interim report and annual report for the year of 2020.

Operating loss

The operating loss of the Group for the Period was approximately RMB21,526,000 (corresponding period of 2020: a loss of RMB393,314,000). The decrease in loss was primarily due to the increase in the Group's consolidated gross profit by approximately RMB21,465,000, the decrease in net expected credit loss provision on trade receivables, deposits, prepayment and other receivables by approximately RMB348,804,000 (the “**Decrease in Loss Provision**”) and the decrease in distribution costs by approximately RMB12,393,000 for the Period, as compared to those for the corresponding period of 2020.

Finance costs

Finance costs for the Period was approximately RMB17,108,000 (corresponding period of 2020: RMB21,133,000), representing a decrease of approximately 19.05%. Such decrease was primarily attributable to the decrease in average amounts of bank and other borrowings for the Period as compared to that of the corresponding period of 2020.

Taxation

Income tax expenses for the Period was approximately RMB1,301,000 (corresponding period of 2020: a credit of RMB2,006,000).

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Period was approximately RMB37,136,000 (corresponding period of 2020: loss attributable of RMB406,787,000). Excluding the Decrease in Loss Provision, the loss attributable to equity shareholders of the Company would have been decreased by RMB20,847,000 as compared with that of the corresponding period of 2020, which was primarily due to the recovery of gross profit during the Period. Loss per share for the Period was approximately RMB0.549 cents (loss per share for the corresponding period of 2020: RMB6.011 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 outflow from operating activities of approximately RMB16,420,000 during the Period (corresponding period of 2020: an inflow of RMB31,609,000).

The Group's net current assets were approximately RMB128,296,000 as at 30 June 2021 (31 December 2020: RMB157,752,000), with a current ratio of 1.16 (31 December 2020: 1.18).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 81.08% as at 30 June 2021 (31 December 2020: 78.87%).

As at 30 June 2021, the total bank and other borrowings of the Group were approximately RMB338,990,000 (31 December 2020: RMB340,744,000), of which approximately 31.44% were made in United States Dollars (“USD”) and approximately 68.56% were made in Renminbi (“RMB”). All of the borrowings were repayable at fixed interest rates, of which approximately RMB285,378,000 was repayable within one year, and approximately RMB53,612,000 was repayable after one year but within five years.

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

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 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.

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 China. As such, the Group's cash and cash equivalents and borrowings are denominated in RMB and USD.

As at 30 June 2021, the total assets of the Group were RMB1,195,691,000 (31 December 2020: RMB1,291,232,000), which included: (1) share capital of RMB556,286,000 (31 December 2020: RMB556,286,000); (2) reserves of RMB(330,047,000) (31 December 2020: RMB(283,431,000)); and (3) liabilities of RMB969,452,000 (31 December 2020: RMB1,018,377,000).

Financial Guarantees and Pledge of Assets

As at 30 June 2021, 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 totalled approximately RMB94,050,000 (31 December 2020: RMB100,056,000).

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 automobile dealership and service business operate 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 2021, the amount of the Group's USD borrowings was approximately USD16,499,000 (31 December 2020: USD16,499,000).

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2021, the Group employed a total of 1,017 full-time employees (30 June 2020: 1,296), of which 215 (30 June 2020: 222) 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, rewards (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 2021 (corresponding period of 2020: Nil).

Industrial Development and Business Progress

According to the latest data on the production and sales of automobile industry released by China Association of Automobile Manufacturers, the sales volume of passenger vehicles in Mainland China amounted to approximately 10,007,000 during the Period, representing a period-on-period increase of approximately 27.0%. As the COVID-19 pandemic is gradually under control in China, the passenger vehicles sales industry has gradually picked up. However, affected by adverse factors such as rising prices of raw materials and unsettling condition of the COVID-19 pandemic, the competition in the industry is still intensifying.

Automobile Dealership and Services Business of the Group

The Group's automobile 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.

Based on the fact that we are adjusting the structure of the automotive brands under the Group's dealership, time is still required to cultivate the market for specific brands under our dealership. In addition, local banks in Inner Mongolia tightened the standards for credit approval during the Period. Primarily due to the above reasons, the Group recorded a plunge in business revenue from its automobile dealer shops in the first few months of 2021, coupled with the continued necessity to pay fixed expenses such as rents, employees' salaries and social insurance contributions. It has led to the operating results failing to meet the expectation in the first half of 2021.

The Group mainly implemented the following operating strategies for the automobile dealership and services business in the first half of 2021:

Firstly, we integrated idle shops, merged and set up comprehensive automobile malls and maintenance plants.

Secondly, we actively applied for the launch of automobile financial business for certain shops.

Thirdly, we enhanced the operation of derivative business such as second-hand automobile dealership, car licensing and agency for annual inspection.

Fourthly, we strengthened the management of insurance renewal business for existing customers, and expanded after-sales service business.

Fifthly, we explored sales channels such as government procurement and bulk purchase for large enterprises.

To enhance its operating results, the Group plans to adopt the following operating strategies in the second half of 2021:

Firstly, we will align with the trend of national support for the development of new energy vehicles by introducing new energy vehicle brands and resume the dealership of the automotive brands with market potential so as to continue to optimize the structure of automotive brands under the Group's dealership.

Secondly, we will adhere to the service concept of "customer-focused", broaden the service scope and improve customer viscosity.

Thirdly, we will establish a phased incentive mechanism to improve the work enthusiasm of the sales team and promote operation 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

In the first half of 2021, the Group's export business of manufacturing business continued the established strategic arrangements, strengthened our management and implemented various operating strategies, and a significant period-on-period growth on operating efficiency was seen. Despite being affected by the Sino-US trade war, the fluctuation of RMB exchange rate, the price fluctuation of bulk materials, and the shortage of electronic components, the export revenue largely remained similar level as compared with the same period of last year through measures such as reserving raw materials inventory in advance and using domestic electronic components. Preparations for the construction of factories in Vietnam are ready, and engineering and technical management personnel will be dispatched to Vietnam depending on the development of the COVID-19 pandemic in Vietnam.

Affected by the switch of national automobile end-gas emission standard from "China V" to "China VI" and the shortage of power components, the growth of domestic pre-installation business slowed down and the gross profit margin decreased, but the operating revenue and profit margin were still growing, and the research and development of new products and the development of new customers were carried out smoothly. For domestic post-installation business, on the basis of continuing the operating strategies of last year, the utilization efficiency of cash flow and other resources had been significantly improved, the research and development of new products had been basically completed, and the inventory of old products had been continuously reduced. We will increase the proportion of domestic post-installation business in the future.

In respect of its manufacturing business, through optimizing organizational structure, increasing incentives for teams and further integrating the resources, the Group's management efficiency has been significantly improved. In the second half of 2021, we will further improve the operating results of the manufacturing business by exploring new customers, developing new products and improving the supply chain in Vietnam.

Prospects

The market scale of the Group's principal businesses is vast and there is still much room for its growth. The Group will continue to strengthen its management and enhance the operating results of all 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 has 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 period ended 30 June 2021.

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 2021. 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 2021 interim report will be despatched to the shareholders of the Company in September 2021 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, 30 August 2021

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*