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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 2022

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2022 (the “**Period**”), together with the unaudited comparative figures for the corresponding period of 2021, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(Expressed in Renminbi)

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Restated)
		(Unaudited)	(Unaudited)
Continuing operations:			
Revenue	4	247,789	377,930
Cost of sales and services		<u>(213,758)</u>	<u>(329,135)</u>
Gross profit		34,031	48,795
Other revenue and gains or losses, net	5	11,857	604
Provision of allowance for expected credit losses on trade receivables, deposits, and other receivables, net		696	(3,703)
Distribution costs		(21,147)	(29,426)
Administrative expenses		(27,844)	(33,395)
Finance costs	6	<u>(14,966)</u>	<u>(16,364)</u>
Loss before taxation from continuing operations		(17,373)	(33,489)
Income tax expense	7	<u>(796)</u>	<u>(1,301)</u>
Loss for the period from continuing operations		<u>(18,169)</u>	<u>(34,790)</u>
Discontinued operations:			
Loss for the period from discontinued operations, net of income tax		<u>–</u>	<u>(5,145)</u>
Loss for the period		<u>(18,169)</u>	<u>(39,935)</u>

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

For the six months ended 30 June 2022

(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Restated) (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	(1,288)	2,811
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)
	<u>(1,288)</u>	<u>(6,681)</u>
Other comprehensive loss for the period, net of tax	(1,288)	(6,681)
Total comprehensive loss for the period	(19,457)	(46,616)
Loss for the period attributable to Equity shareholders of the Company		
– from continuing operations	(17,824)	(34,558)
– from discontinued operations	–	(2,578)
	<u>(17,824)</u>	<u>(37,136)</u>
Non-controlling interests		
– from continuing operations	(345)	(232)
– from discontinued operations	–	(2,567)
	<u>(345)</u>	<u>(2,799)</u>
	(18,169)	(39,935)

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

For the six months ended 30 June 2022

(Expressed in Renminbi)

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Restated)
		(Unaudited)	(Unaudited)
Total comprehensive loss attributable to			
Equity shareholders of the Company			
– from continuing operations		(19,112)	(41,239)
– from discontinued operations		–	(2,578)
		<u>(19,112)</u>	<u>(43,817)</u>
Non-controlling interests			
– from continuing operations		(345)	(232)
– from discontinued operations		–	(2,567)
		<u>(345)</u>	<u>(2,799)</u>
		<u>(19,457)</u>	<u>(46,616)</u>
Loss per share:			
Basic and diluted (RMB cents)			
– from continuing operations	8	(0.263)	(0.511)
– from discontinued operations		–	(0.038)
		<u>(0.263)</u>	<u>(0.549)</u>
– from continuing and discontinued operations		<u>(0.263)</u>	<u>(0.549)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2022 RMB'000 <i>(Unaudited)</i>	At 31 December 2021 RMB'000 <i>(Audited)</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		59,771	62,272
Right-of-use assets		31,261	13,433
Deposit paid for right-of-use assets		–	17,922
Investment properties		47,162	47,162
Other intangible assets		–	–
Deferred tax assets		3,252	3,682
		<u>141,446</u>	<u>144,471</u>
Current assets			
Inventories		138,929	131,849
Trade receivables	10	91,491	143,710
Financial assets at fair value through profit or loss		502	880
Deposits, prepayments and other receivables		585,913	582,670
Cash and cash equivalents		85,835	38,929
		<u>902,670</u>	<u>898,038</u>
Current liabilities			
Trade payables	11	244,839	246,487
Accruals and other payables		175,117	163,904
Contract liabilities		48,825	44,413
Lease liabilities		2,494	2,796
Tax payable		4,281	3,667
Bank and other borrowings		268,498	264,035
		<u>744,054</u>	<u>725,302</u>
Net current assets		<u>158,616</u>	<u>172,736</u>
Total assets less current liabilities		<u>300,062</u>	<u>317,207</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2022
(Expressed in Renminbi)

	At 30 June 2022	At 31 December 2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current liabilities		
Lease liabilities	1,390	2,600
Deferred tax liabilities	9,941	9,820
Bank and other borrowings	<u>113,251</u>	<u>110,326</u>
	<u>124,582</u>	<u>122,746</u>
NET ASSETS	<u>175,480</u>	<u>194,461</u>
CAPITAL AND RESERVES		
Share capital	556,286	556,286
Reserves	<u>(395,721)</u>	<u>(376,487)</u>
Total equity attributable to equity shareholders of the Company	160,565	179,799
Non-controlling interests	<u>14,915</u>	<u>14,662</u>
TOTAL EQUITY	<u>175,480</u>	<u>194,461</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(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 2022	556,286	1,519,192	(1,895,679)	179,799	14,662	194,461
Loss for the period	-	-	(17,824)	(17,824)	(345)	(18,169)
Other comprehensive loss for the period	-	(1,288)	-	(1,288)	-	(1,288)
Total comprehensive loss for the period	-	(1,288)	(17,824)	(19,112)	(345)	(19,457)
Change in ownership interest in subsidiaries	-	(122)	-	(122)	122	-
Capital injection from non-controlling shareholders	-	-	-	-	476	476
Balance at 30 June 2022	556,286	1,517,782	(1,913,503)	160,565	14,915	175,480
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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022

(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from/(used in) operations	58,557	(14,349)
Income tax paid	(699)	(2,071)
Net cash generated from/(used in) operating activities	57,858	(16,420)
Investing activities		
Purchase of property, plant and equipment	(3,132)	(2,420)
Loans repaid by third parties	2,475	3,320
Loans to a third party	(1,000)	–
Other cash flows arising from investing activities	863	350
Net cash (used in)/generated from investing activities	(794)	1,250
Financing activities		
Net decrease in bank and other borrowings, secured	(6,320)	(647)
Payment of lease liabilities	(1,615)	(5,608)
Capital injection from non-controlling owners of a subsidiary	476	–
Interest paid	(2,699)	(4,126)
Net cash used in financing activities	(10,158)	(10,381)
Net increase/(decrease) in cash and cash equivalents	46,906	(25,551)
Cash and cash equivalents at the beginning of the period	38,929	64,564
Cash and cash equivalents at the end of the period	85,835	39,013

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 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 2022 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, 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 2022.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 2021 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 2022.

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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Restated) (Unaudited)
Continuing operations:		
Recognised at a point in time:		
Sale of goods	238,958	352,150
Service income	8,831	25,780
	<u>247,789</u>	<u>377,930</u>

Automobile repair, maintenance and restyling services 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.

Continuing operations

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

During the year ended 31 December 2021, the segment of trading of automobile accessories (the “**Wholesale Business**”) was discontinued.

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:

	Continuing Operations			Discontinued operations	
	The manufacturing business RMB'000 (Unaudited)	Automobile Dealership and Service Business RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	The wholesale business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2022					
Revenue					
External revenue	185,274	62,515	247,789	-	247,789
Inter-segment revenue	-	-	-	-	-
Segment revenue	<u>185,274</u>	<u>62,515</u>	<u>247,789</u>	-	<u>247,789</u>
Less: inter-segment revenue			-		-
Total revenue			<u>247,789</u>		<u>247,789</u>
Reportable segment results	130	(5,939)	(5,809)	-	(5,809)
Interest income	188	8	196	-	196
Unallocated interest income			<u>8</u>		<u>8</u>
Total interest income			<u>204</u>		<u>204</u>
Interest expenses	(2,027)	(3,210)	(5,237)	-	(5,237)
Unallocated interest expenses			<u>(9,729)</u>		<u>(9,729)</u>
Total interest expenses			<u>(14,966)</u>		<u>(14,966)</u>
Depreciation and amortisation charges	(6,642)	(18)	(6,660)	-	(6,660)
Unallocated depreciation and amortisation charges			<u>(70)</u>		<u>(70)</u>
Total depreciation and amortisation charges			<u>(6,730)</u>		<u>(6,730)</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Continuing Operations			Discontinued operations	
	The manufacturing business RMB'000 (Restated) (Unaudited)	Automobile Dealership and Service Business RMB'000 (Restated) (Unaudited)	Sub-total RMB'000 (Restated) (Unaudited)	The wholesale business RMB'000 (Restated) (Unaudited)	Total RMB'000 (Restated) (Unaudited)
For the six months ended 30 June 2021					
Revenue					
External revenue	239,294	138,636	377,930	7,444	385,374
Inter-segment revenue	—	—	—	—	—
Segment revenue	<u>239,294</u>	<u>138,636</u>	<u>377,930</u>	<u>7,444</u>	<u>385,374</u>
Less: inter-segment revenue			—		—
Total revenue			<u>377,930</u>		<u>385,374</u>
Reportable segment results	12,660	(20,934)	(8,274)	(4,401)	(12,675)
Interest income	34	30	64	9	73
Unallocated interest income			<u>12</u>		<u>12</u>
Total interest income			<u>76</u>		<u>85</u>
Interest expenses	(227)	(6,466)	(6,693)	(744)	(7,437)
Unallocated interest expenses			<u>(9,671)</u>		<u>(9,671)</u>
Total interest expenses			<u>(16,364)</u>		<u>(17,108)</u>
Depreciation and amortisation charges	(6,955)	(6,774)	(13,729)	(255)	(13,984)
Unallocated depreciation and amortisation charges			<u>(720)</u>		<u>(720)</u>
Total depreciation and amortisation charges			<u>(14,449)</u>		<u>(14,704)</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Restated) (Unaudited)
Continuing operations:		
Loss before tax		
Reportable segment loss	(5,809)	(8,274)
Unallocated other revenue and gains or losses	5,144	(569)
Unallocated corporate expenses	(6,979)	(14,975)
Unallocated finance costs	(9,729)	(9,671)
	<u>(17,373)</u>	<u>(33,489)</u>
Consolidated loss before taxation	<u>(17,373)</u>	<u>(33,489)</u>
	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Assets		
Reportable segment assets	865,504	873,271
Unallocated corporate assets	178,612	169,238
	<u>1,044,116</u>	<u>1,042,509</u>
Consolidated total assets	<u>1,044,116</u>	<u>1,042,509</u>
Liabilities		
Reportable segment liabilities	718,015	712,342
Unallocated corporate liabilities	150,621	135,706
	<u>868,636</u>	<u>848,048</u>
Consolidated total liabilities	<u>868,636</u>	<u>848,048</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 2022 RMB'000 (Unaudited)	2021 RMB'000 (Restated) (Unaudited)	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
PRC (Place of domicile)	95,602	188,922	138,194	140,789
America	135,630	158,247	–	–
Europe	8,881	4,870	–	–
Asia Pacific	7,676	25,891	–	–
	<u>247,789</u>	<u>377,930</u>	<u>138,194</u>	<u>140,789</u>

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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(d) Major customers

Revenue from customers during the period contributing over 10% of the Group's revenue is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Customer A	<u>30,541</u>	<u>38,670</u>

5. OTHER REVENUE AND GAINS OR LOSSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Restated) (Unaudited)
Continuing operations:		
Interest income	204	76
Exchange gain/(loss), net	10,007	(2,769)
Gross rentals from investment properties and other rental income	833	1,212
Government subsidies	175	657
Fair value loss on financial assets at fair value through profit or loss	(409)	–
Others	<u>1,047</u>	<u>1,428</u>
	<u>11,857</u>	<u>604</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Restated) (Unaudited)
Continuing operations:		
Interest on bank and other borrowings within five years	14,862	13,956
Interest on lease liabilities	<u>104</u>	<u>2,408</u>
	<u>14,966</u>	<u>16,364</u>

7. INCOME TAX

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Restated)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Continuing operations:		
Current tax	245	2,537
Deferred taxation	551	(1,236)
	<u>796</u>	<u>1,301</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 2022 (30 June 2021: 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period attributable to the equity shareholders of the Company, used in the basic and diluted loss per share calculation		
– from continuing operations	(17,824)	(34,558)
– from discontinued operations	–	(2,578)
	<u>(17,824)</u>	<u>(37,136)</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 2022 (30 June 2021: 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 2022 (30 June 2021: Nil).

10. TRADE RECEIVABLES

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

	At 30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	At 31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Current to 30 days	39,419	58,371
31 to 60 days	15,811	36,083
61 to 90 days	4,307	15,708
Over 90 days	32,750	43,531
	<u>92,287</u>	<u>153,693</u>
Less: allowance for ECL	<u>(796)</u>	<u>(9,983)</u>
	<u>91,491</u>	<u>143,710</u>

11. 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 2022 <i>RMB'000</i> <i>(Unaudited)</i>	At 31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Current to 30 days	65,238	71,672
31 to 60 days	16,247	25,676
61 to 90 days	9,608	20,187
Over 90 days	153,746	128,952
	<u>244,839</u>	<u>246,487</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group focuses on the research and development, manufacturing and sales of automotive electronic products, as well as the construction and development of automobile dealership networks. 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 the People's Republic of China (the "PRC" or "China"), North America and Europe. The Group's automobile dealership and services business is operated mainly in the Inner Mongolia Autonomous Region for automobile sales, automotive after-sales services, as well as the distribution of car insurance products and automobile financial products.

Results Highlights

Revenue

For the Period, the consolidated revenue of the Group was approximately RMB247,789,000 (the consolidated revenue from continuing operations for the corresponding period of 2021: RMB377,930,000), representing a decrease of approximately 34.44%.

The consolidated revenue of the manufacturing business of the Group was approximately RMB185,274,000 (corresponding period of 2021: RMB239,294,000), representing a decrease of approximately 22.57%, which was mainly attributable to the relatively long period of production suspension at the Group's manufacturing plant in Shanghai during the Period as a result of the impact of the local COVID-19 pandemic prevention policy.

The consolidated revenue from the Group's automobile dealership and services business amounted to approximately RMB62,515,000 (corresponding period of 2021: RMB138,636,000), representing a decrease of approximately 54.91%, which was mainly attributable to two reasons: first, the Group's automobile dealer stores in Hohhot, China suspended operations for a long time during the Period due to the impact of the local COVID-19 pandemic prevention policies; second, the Group's automobile dealership and services business has adjusted the structure of its automobile brands.

Gross profit and gross profit margin

The consolidated gross profit of the Group for the Period was approximately RMB34,031,000 (the consolidated gross profit from continuing operations for the corresponding period of 2021: RMB48,795,000), representing a decrease of approximately 30.26%. The gross profit margin increased from 12.91% for the corresponding period of 2021 to 13.73%.

The gross profit of the Group's manufacturing business was approximately RMB28,846,000 (corresponding period of 2021: RMB40,557,000), representing a decrease of approximately 28.88%. The gross profit margin decreased from approximately 16.95% for the corresponding period of 2021 to approximately 15.57%. The decrease in gross profit was mainly attributable to the decrease in revenue for the Period as compared with the corresponding period of 2021. The decrease in gross profit margin was primarily attributable to the inclusion of direct staff costs and manufacturing depreciation charges incurred by the production plants located in Shanghai during production suspension under the pandemic for the Period into production costs, whilst revenue decreased, which resulted in lower gross profit margin.

The gross profit of the Group's automobile dealership and services business was approximately RMB5,185,000 (corresponding period of 2021: RMB8,238,000). The gross profit margin increased from approximately 5.94% for the corresponding period of 2021 to approximately 8.29%. The decrease in gross profit was mainly attributable to the decrease in revenue for the Period as compared to that for the corresponding period of 2021. The increase in gross profit margin was mainly attributable to the adjustment of product structure for the Period with an increase in the proportion of sales of products with higher gross profit margin.

Expenses

The distribution costs for the Period were approximately RMB21,147,000 (distribution costs from continuing operations for the corresponding period of 2021: RMB29,426,000), representing a decrease of approximately 28.13%, 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 for the Period.

The administrative expenses for the Period were approximately RMB27,844,000 (administrative expenses from continuing operations for the corresponding period of 2021: RMB33,395,000), representing a decrease of approximately 16.62%, which was mainly due to the Group's control of the number of management personnel and the reduction of administrative expenses.

The reversal of net allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables for the Period was approximately RMB696,000 (net allowance for expected credit losses from continuing operations for the corresponding period of 2021: RMB3,703,000).

Operating loss

The operating loss of the Group for the Period was approximately RMB2,407,000 (operating loss from continuing operations for the corresponding period of 2021: RMB17,125,000). The decrease in loss was primarily due to the increase in the Group's other revenue and gains or losses, net of approximately RMB11,253,000 as compared to that of the corresponding period of 2021, including the difference between the exchange loss of approximately RMB2,769,000 for the corresponding period of 2021 and the exchange gain of approximately RMB10,007,000 for the Period. In addition, as compared to the corresponding period of 2021, distribution costs decreased by approximately RMB8,279,000 and administrative expenses decreased by approximately RMB5,551,000.

Finance costs

Finance costs for the Period was approximately RMB14,966,000 (finance costs from continuing operations for the corresponding period of 2021: RMB16,364,000), representing a decrease of approximately 8.54%. Such decrease was primarily attributable to the decrease in interest expenses on lease liabilities for the Period as compared to that of the corresponding period of 2021 because the Group shortened or terminated leases after having negotiated with certain lessors during the second half of 2021.

Taxation

Income tax expenses for the Period was approximately RMB796,000 (income tax expenses from continuing operations for the corresponding period of 2021: RMB1,301,000).

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company from continuing operations during the Period was approximately RMB17,824,000 (corresponding period of 2021: RMB34,558,000). The decrease in loss was mainly due to the increase in other revenue and gains or losses, net and the decrease in various expenditures during the Period.

The loss attributable to equity shareholders of the Company from continuing and discontinued operations during the Period was approximately RMB17,824,000 (corresponding period of 2021: RMB37,136,000). The loss per share during the Period was approximately RMB0.263 cents (corresponding period of 2021: loss per share of RMB0.549 cents).

Financial Position and Liquidity

The Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy. The Group had a net cash inflow from operating activities of approximately RMB57,858,000 during the Period (corresponding period of 2021: an outflow of RMB16,420,000).

The Group's net current assets were approximately RMB158,616,000 as at 30 June 2022 (31 December 2021: RMB172,736,000), with a current ratio of 1.21 (31 December 2021: 1.24).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 83.19% as at 30 June 2022 (31 December 2021: 81.35%).

As at 30 June 2022, the total bank and other borrowings of the Group were approximately RMB381,749,000 (31 December 2021: RMB374,361,000), of which approximately 31.64% were made in United States Dollars (“USD”) and approximately 68.36% were made in Renminbi (“RMB”). All of the borrowings were repayable at fixed interest rates, of which approximately RMB268,498,000 was repayable within one year, and approximately RMB113,251,000 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 operations.

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 2022, the total assets of the Group were RMB1,044,116,000 (31 December 2021: RMB1,042,509,000), which included: (1) share capital of RMB556,286,000 (31 December 2021: RMB556,286,000); (2) reserves of RMB(380,806,000) (31 December 2021: RMB(361,825,000)); and (3) liabilities of RMB868,636,000 (31 December 2021: RMB848,048,000).

Financial Guarantees and Pledge of Assets

As at 30 June 2022, 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 and other borrowings totalled approximately RMB123,945,000 (31 December 2021: RMB98,496,000).

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

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

Significant Investments

The Group had no significant investments during the Period. The Group had no specific plans for material future investments or acquisitions of businesses as at 30 June 2022.

Exchange Risks

The Group's automobile dealership and service business operates in China, with the settlement currency being RMB. Hence, there is no exchange risk.

Approximately 75% of the turnover from the Group's manufacturing business was generated from the export of its products which was settled in USD. The raw 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 against such exchange risks. As at 30 June 2022, the amount of the Group's USD borrowings was approximately USD18,001,000 (31 December 2021: USD18,001,000).

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (30 June 2021: Nil).

Employees and Remuneration Policy

As at 30 June 2022, the Group employed a total of 889 full-time employees (30 June 2021: 1,017), of which 192 (30 June 2021: 215) 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 bonuses) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements its share option scheme as a long-term incentive scheme of the Group. Details of the share option 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 Period (corresponding period of 2021: Nil).

Industrial Development and Business Progress

According to the latest production and sales figures of the automobile industry released by the China Association of Automobile Manufacturers, the sales volume of automobiles in China amounted to approximately 12,057,000 during the Period, representing a year-on-year decrease of approximately 6.6%, of which the sales volume of passenger vehicles amounted to approximately 10,355,000, representing a year-on-year increase of approximately 3.4%. Due to the spread and local outbreaks of the pandemic across China in the first half of 2022, enterprises encountered severe difficulties in maintaining normal production and operations. With the alleviation of the COVID-19 pandemic, the supply chain and offline channel sales of the automobile industry are gradually on the road to recovery, while the automobile industry is still under the triple pressure of production and supply shocks, sluggish consumer demand and weakened market expectations.

Automobile Dealership and Services Business of the Group

The Group's automobile dealership and services business network is located in the Inner Mongolia Autonomous Region, and its main businesses include automobile sales and after-sales services, as well as the distribution of car insurance products and financial products.

In the first half of 2022, affected by the local epidemic in the Inner Mongolia region, a majority of consumers took a wait-and-see attitude on non-essential automobile consumption, leading to a significant negative impact on the sales of new vehicles. Due to the above reasons, the Group recorded a year-on-year plunge in business revenue from its automobile dealer shops in the first half of 2022, but it still needed to pay fixed expenses such as rent, employees' salaries and social insurance contributions.

The Group mainly implemented the following operating strategies for the automobile dealership and services business in the first half of 2022:

First, we leased out idle shops, merged and set up comprehensive automobile malls and maintenance plants.

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

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

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

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

To enhance its operating results, the Group plans to adopt the following operating strategies in the second half of 2022:

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 loyalty.

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

Manufacturing Business of the Group

In the first half of 2022, the Group's manufacturing business was severely hit by the COVID-19 pandemic. In particular, economic activities such as production and sales (including exports) were greatly restricted during the citywide static management period of Shanghai in the second quarter of 2022. The Group's production base of its manufacturing business in Shanghai shut down for two months, with the consequence that the revenue from exports of the manufacturing business during the Period declined by more than 20% compared with the same period of last year. In terms of the research and development of new products, the research and development of new high-power inverters and energy storage products progressed smoothly. Well-known international customers have been delivered the first batch of new products after trial production. The follow-up research and development of the series of products are progressing steadily. Although the construction progress of the Vietnam factory has been hindered by the COVID-19 pandemic, we will still seek to send our engineering and technical management personnel to Vietnam for further preparations.

Due to the impeded logistics caused by the resurgence of the pandemic in the first half of 2022, coupled with factors such as shrinking market demand in the industry and skyrocketing oil prices, market demand for pre-installation commercial vehicles significantly declined, resulting in a decrease in revenue from the domestic trade business. Currently, the research and development of new products and the procurement of new domestic customers for the manufacturing business are being carried out smoothly, and the market is anticipating recovery. Due to the impact of depreciation of the RMB against the US dollar, the raging inflation in the US market and the drastic fluctuations in domestic bulk material prices, it is expected that the Group's existing foreign customers may cancel their orders in the second half of 2022. We will actively procure new customers and research and develop new products to improve the performance of the manufacturing business.

Prospects

The Group's principal businesses have a vast market with much room for growth. The Group will continue to strengthen its management, improve its business operations and profitability to enhance the operating results of all its businesses as soon as possible.

CORPORATE GOVERNANCE AND OTHERS

Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Period.

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 by 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 directors or relevant employees as defined in the Model Code. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the requirements of the Model Code during the Period.

Audit Committee

At present, the audit committee of the Company (the “**Audit Committee**”) has reviewed with the 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 Period. 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 (www.hkexnews.hk) and the Company (www.nfa360.com). The 2022 interim report will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange 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 2022

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 purpose only*