



# 新焦點汽車技術控股有限公司\*

## New Focus Auto Tech Holdings Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 360

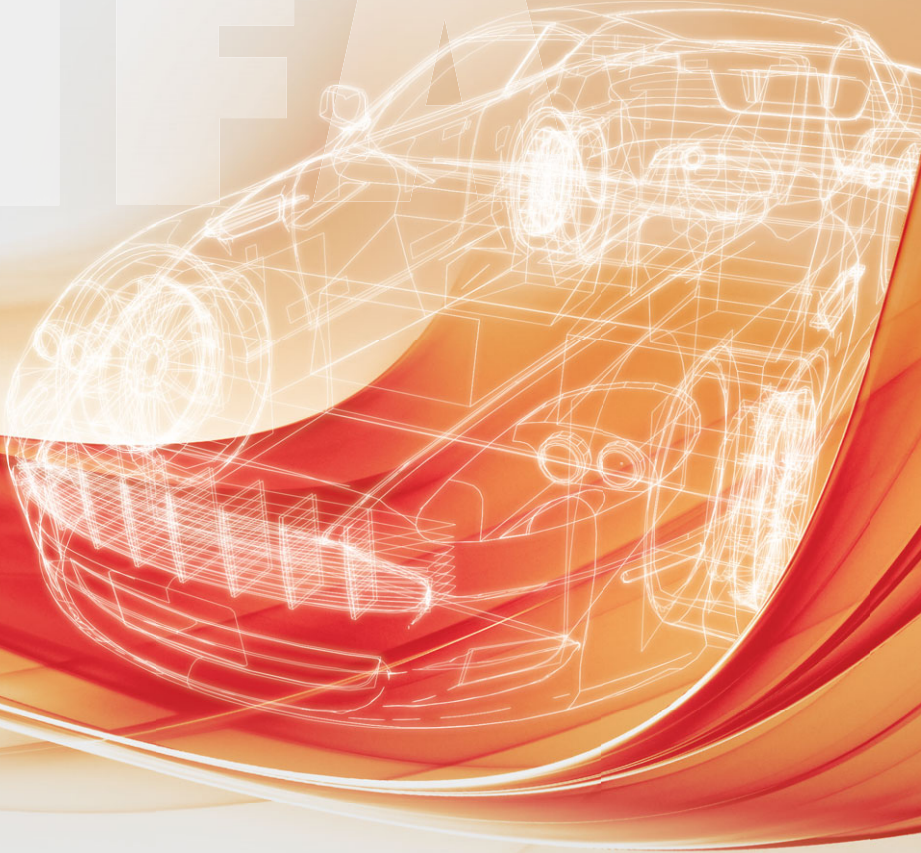
### INTERIM REPORT 2023



# NFA<sup>®</sup>



# NFA



\* For identification purpose only

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# CORPORATE INFORMATION

## **Directors**

### **Executive Director**

Tong Fei (*Acting Chairman*)

### **Independent Non-executive Directors**

Li Qingwen

Zhang Kaizhi

Huang Bo

### **Chief Executive Officer**

Zhao Yufeng

### **Chief Financial Officer**

Chen Long

### **Company Secretary**

Liu Xiaohua

### **Registered Office**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### **Principal Place of Business in Hong Kong**

5/F, 180 Hennessy Road

Wan Chai

Hong Kong

### **Auditor**

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F, Gloucester Tower

The Landmark, 11 Pedder St., Central

Hong Kong

## **Legal Advisers**

CFN Lawyers

27/F, Neich Tower

128 Gloucester Road, Wan Chai

Hong Kong

### **Principal Share Registrar and Transfer Office**

Suntera (Cayman) Limited

Suite 3204, Unit 2A

Block 3, Building D

P.O. Box 1586

Gardenia Court

Camana Bay

Grand Cayman KY1-1100

Cayman Islands

### **Branch Share Registrar and Transfer Office in Hong Kong**

Computershare Hong Kong

Investor Services Limited

17M/F, Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

### **Stock Code**

360

### **Website**

<https://www.nfa360.com>

# INTERIM FINANCIAL REPORT

## **Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the six months ended 30 June 2023

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>256,114</b>	247,789
Cost of sales and services		<b>(212,363)</b>	(213,758)
<b>Gross profit</b>		<b>43,751</b>	34,031
Other income	5	<b>10,438</b>	2,223
Other gains or losses, net	6	<b>1,373</b>	9,634
Allowance for expected credit losses on trade receivables and other receivables, net		<b>928</b>	696
Distribution costs		<b>(19,486)</b>	(21,147)
Administrative expenses		<b>(27,897)</b>	(27,844)
Finance costs	7	<b>(11,814)</b>	(14,966)
<b>Loss before taxation</b>		<b>(2,707)</b>	(17,373)
Income tax expense	8	<b>(2,561)</b>	(796)
<b>Loss for the period</b>		<b>(5,268)</b>	(18,169)
<b>Other comprehensive loss for the period</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<b>(2,920)</b>	(1,288)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(2,920)</b>	(1,288)
<b>Total comprehensive loss for the period</b>		<b>(8,188)</b>	(19,457)

# INTERIM FINANCIAL REPORT

## **Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income**

(Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Loss for the period attributable to</b>			
Equity shareholders of the Company		<b>(5,228)</b>	(17,824)
Non-controlling interests		<b>(40)</b>	(345)
		<b>(5,268)</b>	(18,169)
<b>Total comprehensive loss attributable to</b>			
Equity shareholders of the Company		<b>(8,148)</b>	(19,112)
Non-controlling interests		<b>(40)</b>	(345)
		<b>(8,188)</b>	(19,457)
<b>Loss per share</b>	9		
Basic and diluted (RMB cents)		<b>(0.030)</b>	(0.263)

# INTERIM FINANCIAL REPORT

## Unaudited Consolidated Statement of Financial Position

As at 30 June 2023

(Expressed in Renminbi)

	Note	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	72,790	66,738
Right-of-use assets	11	30,397	30,829
Investment properties	11	38,975	38,975
Deferred tax assets		3,252	3,623
		<b>145,414</b>	140,165
<b>Current assets</b>			
Inventories	12	102,326	121,013
Trade receivables	13	94,447	86,455
Financial assets at fair value through profit or loss	14	251	457
Deposits, prepayments and other receivables		470,280	1,070,211
Cash and cash equivalents		625,693	275,139
		<b>1,292,997</b>	1,553,275
<b>Current liabilities</b>			
Trade payables	15	193,545	227,147
Accruals and other payables		192,164	187,235
Contract liabilities		44,160	251,240
Amounts due to related parties	20	25,146	–
Lease liabilities		1,390	2,494
Tax payable		4,883	6,246
Bank and other borrowings	16	240,215	269,149
		<b>701,503</b>	943,511

# INTERIM FINANCIAL REPORT

## **Unaudited Consolidated Statement of Financial Position** (Continued)

As at 30 June 2023

(Expressed in Renminbi)

	Note	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
<b>Net current assets</b>		<b>591,494</b>	609,764
<b>Total assets less current liabilities</b>		<b>736,908</b>	749,929
<b>Non-current liabilities</b>			
Lease liabilities		-	156
Deferred tax liabilities		<b>9,789</b>	9,789
Bank and other borrowings	16	<b>32,323</b>	37,000
		<b>42,112</b>	46,945
<b>NET ASSETS</b>		<b>694,796</b>	702,984
<b>CAPITAL AND RESERVES</b>			
Share capital	17	<b>1,490,706</b>	1,490,706
Reserves	18	<b>(811,714)</b>	(803,566)
Total equity attributable to equity shareholders of the Company		<b>678,992</b>	687,140
Non-controlling interests		<b>15,804</b>	15,844
<b>TOTAL EQUITY</b>		<b>694,796</b>	702,984

# INTERIM FINANCIAL REPORT

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

(Expressed in Renminbi)

	Share capital RMB'000	Share premium and other reserve RMB'000 <i>(Note 18)</i>	Accumulated losses RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 1 January 2023</b>	1,490,706	1,142,006	(1,945,572)	687,140	15,844	702,984
Loss for the period	-	-	(5,228)	(5,228)	(40)	(5,268)
Other comprehensive income for the period	-	(2,920)	-	(2,920)	-	(2,920)
<b>Total comprehensive income for the period</b>	-	(2,920)	(5,228)	(8,148)	(40)	(8,188)
<b>Balance at 30 June 2023</b>	1,490,706	1,139,086	(1,950,800)	678,992	15,804	694,796
<b>Balance at 1 January 2022</b>	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)
<b>Total comprehensive income for the period</b>	-	(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
<b>Balance at 30 June 2022</b>	556,286	1,517,782	(1,913,503)	160,565	14,915	175,480



# INTERIM FINANCIAL REPORT

## Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023

(Expressed in Renminbi)

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Operating activities</b>		
Cash generated from operations	260,072	58,557
Income tax paid	(5,099)	(699)
<b>Net cash generated from operating activities</b>	<b>254,973</b>	<b>57,858</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(11,794)	(3,132)
Loans repaid by third parties	403,977	2,475
Loans to third parties	(281,410)	(1,000)
Interest received	4,945	–
Other cash flows arising from investing activities	1,157	863
<b>Net cash generated from/(used in) investing activities</b>	<b>116,875</b>	<b>(794)</b>
<b>Financing activities</b>		
Net decrease in bank and other borrowings	(40,091)	(6,320)
Proceeds from related party borrowings	23,071	–
Payment of lease liabilities	(1,313)	(1,615)
Other cash flows arising from financing activities	(2,961)	(2,223)
<b>Net cash used in financing activities</b>	<b>(21,294)</b>	<b>(10,158)</b>
<b>Net increase in cash and cash equivalents</b>	<b>350,554</b>	<b>46,906</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>275,139</b>	<b>38,929</b>
<b>Cash and cash equivalents, end of period</b>	<b>625,693</b>	<b>85,835</b>

# INTERIM FINANCIAL REPORT

## **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**” or “**China**”).

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 directors of the Company (the “**Directors**”) regard Daodu (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability as the immediate holding company (“**Daodu**”), and Qingdao Guorui Xin Fukesi Investment Center, L.P.\* (青島國瑞新福克斯投資中心(有限合夥)), a limited partnership established in the PRC, 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 2023 have 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 2023.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2022 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 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 April 2023.

# INTERIM FINANCIAL REPORT

### 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Recognised at a point in time:		
Sale of goods	242,887	238,958
Service income	13,227	8,831
	256,114	247,789

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.

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**").

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 resources allocation and assessment of segment performance.

# INTERIM FINANCIAL REPORT

## 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)	Automobile Dealership and Services Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>For the six months ended 30 June 2023</b>			
<b>Revenue</b>			
External revenue	188,734	67,380	256,114
Inter-segment revenue	-	-	-
Segment revenue	188,734	67,380	256,114
Less: inter-segment revenue			-
Total revenue			256,114
Reportable segment results	11,806	(3,995)	7,811
Interest income	5,042	1	5,043
Unallocated interest income			5
Total interest income			5,048
Interest expenses	(5,727)	(3,584)	(9,311)
Unallocated interest expenses			(2,503)
Total interest expenses			(11,814)
Depreciation and amortisation charges	(6,728)	(115)	(6,843)
Unallocated depreciation and amortisation charges			(73)
Total depreciation and amortisation charges			(6,916)

# INTERIM FINANCIAL REPORT

## 4. Revenue and Segment Information (Continued)

### (a) Reportable segments (Continued)

	The Manufacturing Business RMB'000 (Unaudited)	Automobile Dealership and Services 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
Inter-segment revenue	-	-	-
Segment revenue	185,274	62,515	247,789
Less: inter-segment revenue			-
Total revenue			247,789
Reportable segment results	130	(5,939)	(5,809)
Interest income	188	8	196
Unallocated interest income			8
Total interest income			204
Interest expenses	(2,027)	(3,210)	(5,237)
Unallocated interest expenses			(9,729)
Total interest expenses			(14,966)
Depreciation and amortisation charges	(6,642)	(18)	(6,660)
Unallocated depreciation and amortisation charges			(70)
Total depreciation and amortisation charges			(6,730)

# INTERIM FINANCIAL REPORT

## 4. Revenue and Segment Information *(Continued)*

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Profit/(loss) before tax</b>		
Reportable segment profit/(loss)	7,811	(5,809)
Unallocated other income and gains and losses, net	(1,906)	5,144
Unallocated corporate expenses	(6,110)	(6,979)
Unallocated finance costs	(2,502)	(9,729)
Consolidated loss before taxation	(2,707)	(17,373)
	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
<b>Assets:</b>		
Reportable segment assets	1,346,927	1,602,624
Unallocated corporate assets	91,484	90,816
Consolidated total assets	1,438,411	1,693,440
<b>Liabilities:</b>		
Reportable segment liabilities	658,420	906,253
Unallocated corporate liabilities	85,195	84,203
Consolidated total liabilities	743,615	990,456

# INTERIM FINANCIAL REPORT

## 4. Revenue and Segment Information (Continued)

### (c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, and right-of-use assets ("specified non-current assets"):

	Revenue from external customers Six months ended 30 June		Specified non-current assets	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
PRC (Place of domicile)	106,801	95,602	142,162	136,542
America	132,619	135,630	-	-
Europe	6,865	8,881	-	-
Asia Pacific	9,829	7,676	-	-
	256,114	247,789	142,162	136,542

### (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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Customer A	N/A <sup>Note</sup>	30,541

Note: Revenue derived from Customer A did not contribute 10% or more to the Group's total revenue in the period.

Except as disclosed above, no other customers contributed 10% or more of the Group's total revenue during the reporting period.

# INTERIM FINANCIAL REPORT

## 5. Other Income

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Mould sales	10	326
Interest income	5,048	204
Gross rentals from investment properties and other rental income	835	833
Management consulting income	2,728	–
Scrap and slow-moving material sales	1,197	86
Others	620	774
	<b>10,438</b>	<b>2,223</b>

## 6. Other Gains or Losses, Net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Exchange gain, net	242	10,007
Gain/(loss) on disposal of property, plant and equipment	567	(224)
Government subsidies	267	175
Fair value loss on financial assets at fair value through profit or loss	(207)	(409)
Others	504	85
	<b>1,373</b>	<b>9,634</b>



# INTERIM FINANCIAL REPORT

## 7. Finance Costs

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank and other borrowings within five years	11,248	14,862
Interest on related party borrowings	513	–
Interest on lease liabilities	53	104
	<b>11,814</b>	14,966

## 8. Income Tax

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax	2,190	245
Deferred taxation	371	551
	<b>2,561</b>	796

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 2023 (30 June 2022: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

# INTERIM FINANCIAL REPORT

## 9. Loss Per Share

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss for the period attributable to the equity shareholders of the Company, used in the basic and diluted loss per share calculation	(5,228)	(17,824)
<b>Shares</b>		
Weighted average number of ordinary shares for the basic loss per share calculation	17,216,948,349	6,767,636,215
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	17,216,948,349	6,767,636,215

\* No adjustment is made to the diluted loss per share for the six months ended 30 June 2023 (30 June 2022: Nil) as there were no potential dilutive shares in issue.

## 10. Dividend

The board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

## 11. Capital Expenses

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000
<b>Beginning net carrying amount as at 1 January 2023</b>	<b>66,738</b>	<b>30,829</b>	<b>38,975</b>
Additions	12,874	-	-
Disposals	(338)	-	-
Depreciation charges for the period	(6,484)	(432)	-
<b>Ending net carrying amount as at 30 June 2023</b>	<b>72,790</b>	<b>30,397</b>	<b>38,975</b>
Beginning net carrying amount as at 1 January 2022	62,272	13,433	47,162
Additions	5,012	18,511	-
Disposals	(1,466)	-	-
Depreciation charges for the period	(6,047)	(683)	-
Ending net carrying amount as at 30 June 2022	59,771	31,261	47,162

# INTERIM FINANCIAL REPORT

## 12. Inventories

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Raw material	28,490	32,504
Work in Progress	19,165	18,612
Finished Goods	22,329	23,477
Merchandise Goods	32,342	46,420
	<b>102,326</b>	121,013

## 13. 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 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Current to 30 days	40,020	61,185
31 to 60 days	16,019	10,494
61 to 90 days	19,765	4,818
Over 90 days	33,781	24,554
	<b>109,585</b>	101,051
Less: allowance for ECL	<b>(15,138)</b>	(14,596)
	<b>94,447</b>	86,455

# INTERIM FINANCIAL REPORT

## 14. Financial Assets at Fair Value through Profit or Loss

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
<b>Listed securities held for trading:</b>		
– Equity securities listed in Shenzhen stock exchange	<b>251</b>	457

## 15. Trade Payables

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

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
Current to 30 days	<b>47,024</b>	102,511
31 to 60 days	<b>17,217</b>	16,076
61 to 90 days	<b>15,050</b>	8,735
Over 90 days	<b>114,254</b>	99,825
	<b>193,545</b>	227,147

# INTERIM FINANCIAL REPORT

## 16. Bank and Other Borrowings

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
Secured:		
Bank loans	<b>138,060</b>	157,490
Other borrowings	<b>91,473</b>	83,745
	<b>229,533</b>	241,235
Unsecured:		
Bank loans	<b>5,612</b>	5,612
Other borrowings	<b>37,393</b>	59,302
	<b>43,005</b>	64,914
Total bank and other borrowings	<b>272,538</b>	306,149
Bank borrowings are repayable as follows:		
On demand or within one year	<b>240,215</b>	269,149
More than one year but not exceeding two years	-	-
More than two years but not exceeding five years	<b>32,323</b>	37,000
	<b>272,538</b>	306,149

# INTERIM FINANCIAL REPORT

## 17. Share Capital

	Number of shares '000	Amount HK\$'000	Amount RMB'000
Balance as at 1 January 2022	6,767,636	676,764	556,286
Issue of shares	10,449,312	1,044,931	934,420
Balance as at 31 December 2022	17,216,948	1,721,695	1,490,706
<b>Balance as at 30 June 2023</b>	<b>17,216,948</b>	<b>1,721,695</b>	<b>1,490,706</b>

## 18. Reserves

	Share premium RMB'000	Statutory reserve fund RMB'000	Enterprise expansion fund RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Others RMB'000	Total RMB'000
<b>Balance as at 1 January 2023</b>	<b>1,098,879</b>	<b>45,308</b>	<b>2,756</b>	<b>1,545</b>	<b>(10,139)</b>	<b>3,657</b>	<b>1,142,006</b>
Other comprehensive loss for the period	-	-	-	-	(2,920)	-	(2,920)
<b>Balance as at 30 June 2023</b>	<b>1,098,879</b>	<b>45,308</b>	<b>2,756</b>	<b>1,545</b>	<b>(13,059)</b>	<b>3,657</b>	<b>1,139,086</b>
Balance as at 1 January 2022	1,482,219	43,918	2,756	1,545	(14,903)	3,657	1,519,192
Other comprehensive loss for the period	-	-	-	-	(1,288)	-	(1,288)
Change in ownership interest in subsidiaries	-	-	-	-	-	(122)	(122)
Balance as at 30 June 2022	1,482,219	43,918	2,756	1,545	(16,191)	3,535	1,517,782

# INTERIM FINANCIAL REPORT

## 19. Commitments

### (a) Operating lease arrangements

As lessor

As at 30 June 2023 and 31 December 2022, the Group leased its investment properties under operating leases.

As at the end of the reporting period, the total future minimum lease payments receivable under noncancellable operating leases are as follows:

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
Within one year	1,205	1,749
In the second year	-	397
	<b>1,205</b>	2,146

### (b) Capital commitment

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	<b>18,833</b>	28,350

# INTERIM FINANCIAL REPORT

## 20. Related Parties Transactions

The material transactions between the Group and related companies (which are not the members of the Group) during the period are as follows:

Relationship	Nature of the balance/transaction	Note	Six months ended 30 June	
			2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shareholders	Related party borrowings and interests	(i)	25,008	–
Directors	Related party borrowings	(ii)	138	–

Notes:

- (i) In February 2023, the Company and Daodu (the immediate controlling shareholder of the Company), entered into a loan agreement. The principal amount of the unsecured loan was USD3,200,000 for a term of one year with an interest rate of 6% per annum.
- (ii) In May 2023, the Company received an unsecured and interest free loan of HK\$150,000 from an executive Director, Mr. Tong Fei.



# 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 PRC, 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 aftersales services, as well as the distribution of car insurance products and automobile financial products.

## **Results Highlights**

### **Revenue**

For the six months ended 30 June 2023 (the "**Period**" or "**Reporting Period**"), the consolidated revenue of the Group was approximately RMB256,114,000 (corresponding period of 2022: RMB247,789,000), representing an increase of approximately 3.36%.

The consolidated revenue from the Manufacturing Business of the Group during the Period was approximately RMB188,734,000 (corresponding period of 2022: RMB185,274,000), representing a slight increase of approximately 1.87%, which was attributable to the resumption of operations of the Group's manufacturing plant in Shanghai following the relaxation of local pandemic prevention policies. However, this growth was offset by the decrease in the total number of orders of the Group's export business.

The consolidated revenue from the Group's Automobile Dealership and Services Business amounted to approximately RMB67,380,000 (corresponding period of 2022: RMB62,515,000), representing an increase of approximately 7.78%, which was mainly attributable to the uninterrupted operation of the Group's automobile dealer stores in Hohhot, which were not affected by prolonged operational suspensions due to local pandemic prevention policies in the corresponding period of 2022.

### **Gross profit and gross profit margin**

The consolidated gross profit of the Group for the Period was approximately RMB43,751,000 (corresponding period of 2022: RMB34,031,000), representing an increase of approximately 28.56%. The gross profit margin increased from approximately 13.73% for the corresponding period of 2022 to approximately 17.08%.

# MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit of the Group's Manufacturing Business was approximately RMB37,884,000 (corresponding period of 2022: RMB28,846,000), representing an increase of approximately 31.33%. The gross profit margin increased from approximately 15.57% for the corresponding period of 2022 to approximately 20.07%. The increases in both gross profit and gross profit margin were mainly attributable to two reasons: first, the inclusion of direct staff costs and manufacturing depreciation charges incurred by the Group's manufacturing plants located in Shanghai during production suspension under the pandemic for the corresponding period of 2022 into production costs, which resulted in lower gross profit margin whilst revenue decreased; and second, the average exchange rate of USD against RMB for the Period was higher than that for the corresponding period of 2022, resulting in an increase in gross profit margin of foreign trade revenue denominated in USD.

The gross profit of the Group's Automobile Dealership and Services Business was approximately RMB5,867,000 (corresponding period of 2022: RMB5,185,000), representing an increase of approximately 13.15%. The gross profit margin increased from approximately 8.29% for the corresponding period of 2022 to approximately 8.71%. 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 2022.

## **Other income and gains and losses**

Other income for the Period was approximately RMB10,438,000 (corresponding period of 2022: RMB2,223,000), representing an increase of approximately 369.55%. The increase was mainly attributable to an interest income of approximately RMB4,434,000 recorded for the Period due to the provision of loans by the Group to JingHang DaYun (Beijing) Technology Co., Ltd.\* (京行大運(北京) 科技有限公司) ("**Jinghang Dayun**") and receipt of revenue for management and consultation fees of approximately RMB2,728,000 from the provision of supply chain management services to upstream and downstream enterprises, while no such revenue was recorded for the corresponding period of 2022.

Other gains or losses, net for the Period was approximately RMB1,373,000 (corresponding period of 2022: RMB9,634,000), representing a decrease of approximately 85.75%, which was mainly attributable to a decrease in exchange gain of approximately RMB9,765,000.

## **Expenses**

The reversal of net allowance for expected credit losses on trade receivables and other receivables for the Period was approximately RMB928,000 (corresponding period of 2022: RMB696,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

The distribution costs for the Period were approximately RMB19,486,000 (corresponding period of 2022: RMB21,147,000), representing a decrease of approximately 7.85%, which was mainly attributable to the decrease in sales and marketing expenses and freight expenses as the Group controlled its cost expenses during the Period, as well as the decrease in rental expenses as a result of the downsizing of operations of the Automobile Dealership and Services Business.

The administrative expenses for the Period were approximately RMB27,897,000 (corresponding period of 2022: RMB27,844,000), representing an increase of approximately 0.19%.

## **Operating profit/(loss)**

The operating profit of the Group for the Period was approximately RMB9,107,000 (corresponding period of 2022: loss of RMB2,407,000). The positive turnaround was mainly due to an increase of approximately RMB9,720,000 in gross profit and a decrease of approximately RMB1,661,000 in distribution costs during the Period as compared to the corresponding period of 2022.

## **Finance costs**

Finance costs for the Period was approximately RMB11,814,000 (corresponding period of 2022: RMB14,966,000), representing a decrease of approximately 21.06%, which was mainly attributable to the decrease in the average balance of the Group's bank and other borrowings during the Period as compared to the corresponding period of 2022.

## **Taxation**

Income tax expenses for the Period were approximately RMB2,561,000 (corresponding period of 2022: RMB796,000).

## **Loss attributable to equity shareholders of the Company**

The loss attributable to equity shareholders of the Company for the Period was approximately RMB5,228,000 (corresponding period of 2022: RMB17,824,000). The decrease in losses was mainly due to the increase in gross profit and decrease in distribution costs during the Period. The loss per share for the Period was approximately RMB0.030 cents (corresponding period of 2022: RMB0.263 cents).

# MANAGEMENT DISCUSSION AND ANALYSIS

## **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 RMB254,973,000 during the Period (corresponding period of 2022: RMB57,858,000).

The Group's net current assets were approximately RMB591,494,000 as at 30 June 2023 (31 December 2022: RMB609,764,000), with a current ratio of 1.84 (31 December 2022: 1.65).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 51.70% as at 30 June 2023 (31 December 2022: 58.49%).

As at 30 June 2023, the total bank and other borrowings of the Group were approximately RMB272,538,000 (31 December 2022: RMB306,149,000), of which approximately 12.52% were made in United States Dollars ("**USD**") and approximately 87.48% were made in Renminbi ("**RMB**"). All of the borrowings were repayable at fixed interest rates, of which approximately RMB240,215,000 was repayable within one year, and approximately RMB32,323,000 was repayable after one year but within five years.

The Group's operation and capital expenses were financed by the cash flow generated from its business, internal liquidity and its 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.

## **Material loan transactions**

### **HK\$150,000,000 loan**

As disclosed in the announcement of the Company dated 17 October 2022, the Company (as lender) and Sky Asia Holdings Limited ("**Sky Asia**") (as borrower) entered into a loan agreement on 9 April 2019, pursuant to which the Company had agreed to grant a loan of HK\$150,000,000 to Sky Asia for a term of three months from the date of the loan agreement at an interest rate of 6% per annum. The obligations and liabilities of the borrower under the loan agreement were subsequently novated to Great Wall Broadband Network Company Limited (長城寬帶網絡服務有限公司) on 31 December 2020. The loan was fully repaid on 28 March 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## A maximum of RMB505,005,000 loan

As disclosed in the announcement of the Company dated 30 March 2023, New Focus Lighting and Power Technology (Qingdao) Co., Ltd. (“**New Focus Lighting & Power (Qingdao)**”) (as lender), a wholly-owned subsidiary of the Company and Jinghang Dayun (as borrower) entered into a loan agreement (the “**Loan Agreement**”) on 15 December 2022, pursuant to which New Focus Lighting & Power (Qingdao) had agreed to grant an unsecured loan of RMB205,005,000 to Jinghang Dayun for a term of three months from the date of the Loan Agreement at an interest rate of 5% per annum. On 31 December 2022, Jinghang Dayun had assigned Baotou Shuo Zheng Trading Co., Ltd. (包頭市碩正商貿有限公司) (“**Baotou Shuozheng**”) and Shanghai Yaran Equity Investment Management Co., Ltd. (上海亞冉股權投資管理有限公司) (“**Shanghai Yaran**”) to repay the loans of RMB150,000,000 and RMB30,000,000, respectively, on behalf of it, with a total repayment of loans of RMB180,000,000 (the “**Repaid Loans**”) and New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into an extension agreement (“**Extension Agreement**”) to extend the maturity date of the remaining loan (i.e. RMB25,005,000) to one year from the date of the Extension Agreement.

On 1 January 2023, New Focus Lighting & Power (Qingdao) entered into a supplemental agreement (the “**Supplemental Agreement**”) with Jinghang Dayun, Baotou Shuozheng and Shanghai Yaran on the Repaid Loans, respectively, pursuant to which New Focus Lighting & Power (Qingdao) refunded RMB150,000,000 and RMB30,000,000 to Baotou Shuozheng and Shanghai Yaran, respectively, with the total amount of the outstanding loans resuming back to RMB205,005,000. On 3 January 2023, New Focus Lighting & Power (Qingdao) (as lender) entered into a second loan agreement (the “**Second Loan Agreement**”) with Jinghang Dayun (as borrower), pursuant to which New Focus Lighting & Power (Qingdao) agreed to grant a further unsecured loan of not more than RMB300,000,000 to Jinghang Dayun for a term commencing from the date of the Second Loan Agreement until 30 April 2023 (the “**Second Loan**”), with an interest rate of 5% per annum. According to the Loan Agreement, the Extension Agreement, the Supplemental Agreement and the Second Loan Agreement (collectively, the “**Loan Agreements**”), New Focus Lighting & Power (Qingdao) has advanced an aggregate of RMB477,780,875 to Jinghang Dayun, of which RMB205,005,000 was advanced under the Loan Agreement and RMB272,775,875 was advanced under the Second Loan Agreement. As at the latest practicable date prior to the printing of this interim report for the purpose of ascertaining the information contained herein (the “**Latest Practicable Date**”), Jinghang Dayun had already repaid an aggregate of the loans of RMB452,776,875 together with the accrued interest of RMB4,700,000, and the balance of the loans is RMB25,004,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

At the material time, the management of New Focus Lighting & Power (Qingdao) considered that Jinghang Dayun possesses rich resources and cooperation with the local government and extensive business operations that complement the Group's strategic goals. The Company's medium- and long-term development plans entail significant projects, including the construction of the Qingdao Laixi Automotive Electronics Industrial Park, the industrial adjustment of the Group's factory in Shanghai, and the exploration of new sales channels. These initiatives necessitate significant social, industrial, and government resources, which Jinghang Dayun is well-equipped to provide and it is willing to form a strategic alliance with the Group.

## **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 capital requirements from time to time.

Approximately 75% of the revenue of the Group's Manufacturing Business was generated from the export of its products 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 2023, the total assets of the Group were approximately RMB1,438,411,000 (31 December 2022: RMB1,693,440,000), which included: (1) share capital of approximately RMB1,490,706,000 (31 December 2022: approximately RMB1,490,706,000); (2) reserves of approximately RMB(795,910,000) (31 December 2022: approximately RMB(787,722,000)); and (3) liabilities of approximately RMB743,615,000 (31 December 2022: approximately RMB990,456,000).

## **Financial Guarantees and Pledge of Assets**

As at 30 June 2023, 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 RMB124,426,000 (31 December 2022: RMB127,581,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***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. Save for the matters set out in the section headed “Material Events after the Reporting Period” in this interim report, the Group had no specific plans for material future investments or acquisitions of businesses as at 30 June 2023.

## ***Exchange Risks***

The Group’s Automobile Dealership and Services 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 exports of its products 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 2023, the amount of the Group’s USD borrowings was approximately USD8,092,000 (31 December 2022: USD7,202,000).

## ***Contingent Liabilities***

As at 30 June 2023, the contingent liabilities of the Group were approximately RMB17,370,000 (31 December 2022: Nil), which was attributable to certain lawsuits filed by third parties against the Company’s subsidiaries. For details, please refer to the section headed “Lawsuits” in this interim report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Lawsuits**

### **Ningbo Jiche against Inner Mongolia Chuangying**

As stated in the Company's announcement dated 5 June 2023, Inner Mongolia Chuangying Automobile Co., Ltd. ("**Inner Mongolia Chuangying**"), a wholly-owned subsidiary of the Company, was served with a summons as one of the defendants and was required to attend a court hearing on 28 June 2023 in a lawsuit filed by Ningbo Jiche Trading Co., Ltd.\* (寧波極車貿易有限公司) ("**Ningbo Jiche**") as the plaintiff. Ningbo Jiche alleged that Inner Mongolia Chuangying breached a sales contract (the "**Sales Contract**") between them by not paying the outstanding amount of RMB8,506,800 in accordance with the Sales Contract. The claims of Ningbo Jiche against Inner Mongolia Chuangying are as follows:

- (1) request before the court for a ruling that Inner Mongolia Chuangying shall pay the outstanding amount of RMB8,506,800 and compensate Ningbo Jiche for losses due to the overdue payment (calculated based on RMB8,506,800, multiplied by 1.5 times of the one-year loan prime rate (LPR) published by the National Interbank Funding Center authorized by the People's Bank of China commencing from 9 October 2019 until the actual payment date). The calculated loss was RMB2,160,106.9 as of 14 April 2023;
- (2) request before the court for a ruling that Inner Mongolia Chuangying shall pay RMB1,010,680 as liquidated damages;
- (3) request before the court for a ruling that Inner Mongolia Chuangying shall compensate Ningbo Jiche the legal fees of RMB500,000; and
- (4) request before the court for a ruling that Inner Mongolia Chuangying shall bear the litigation costs and the preservation fees.



# MANAGEMENT DISCUSSION AND ANALYSIS

As the case was ordered by Hohhot Huimin District People's Court to be transferred to the Beijing Dongcheng District People's Court for trial, no hearing has yet to be scheduled. As at the Latest Practicable Date, such order has taken effect. But as the case is being transferred and no date has been fixed for the trial, there is no substantive progress with the case. Inner Mongolia Chuangying is currently seeking legal advice and will proactively respond to the case. Due to the ongoing litigation and the uncertainty regarding the implementation and execution of the post-trial rulings, the principal amount of contingent liabilities that may be caused to the Group as a result of these litigation matters is approximately RMB12,178,000. Please refer to the announcement of the Company dated 5 June 2023 for further details of the lawsuits.

## **Chifeng Lifeng against Inner Mongolia Chuangying**

As disclosed in the Company's announcement dated 19 June 2023, Inner Mongolia Chuangying has been served with a summons as one of the defendants and is required to attend a court hearing in a lawsuit filed by Chifeng Lifeng Vehicle Store Co., Ltd.\* (赤峰市利豐汽車行有限公司) ("**Chifeng Lifeng**") as the plaintiff. Chifeng Lifeng alleged that Inner Mongolia Chuangying had breached twelve equity transfer agreements (collectively, the "**Equity Transfer Agreements**") entered into between them by failing to pay the equity transfer consideration of RMB5,191,960 under one of the Equity Transfer Agreements and the equity transfer consideration of RMB34,200,000 in aggregate under the remaining eleven Equity Transfer Agreements. Chifeng Lifeng requested before the court for a ruling that Inner Mongolia Chuangying shall pay the equity transfer consideration of RMB39,391,960, and be liable for the repayment obligation on a joint and several basis with the other defendant, Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.\* (內蒙古利豐鼎盛汽車有限公司) ("**Lifeng Dingsheng**"), as well as compensate Chifeng Lifeng for losses it incurred due to the overdue payment and bear all costs including the litigation costs, the preservation fees, legal fees and others.

As at 30 June 2023, taking into account the information available and the advice from external lawyers, the management of the Company is of the view that the principal amount of contingent liabilities that may be caused to the Group as a result of these litigation matters is approximately RMB5,192,000 (being the equity transfer consideration in respect of one of the Equity Transfer Agreements), and it is unlikely that the equity transfer consideration of RMB34,200,000 in respect of the remaining eleven Equity Transfer Agreements, as claimed by Chifeng Lifeng, will be supported by the Court.

# MANAGEMENT DISCUSSION AND ANALYSIS

Also as disclosed in the Company's announcement dated 29 August 2023, the latest amended claims of Chifeng Lifeng against Inner Mongolia Chuangying are as follows:

- (1) request before the court for a ruling that Inner Mongolia Chuangying and Lifeng Dingsheng shall compensate Chifeng Lifeng for an aggregate amount of RMB39,998,791.96; and
- (2) request before the court for a ruling that Inner Mongolia Chuangying and Lifeng Dingsheng shall bear all costs including the litigation costs, the preservation fees and others.

Inner Mongolia Chuangying will continue to actively respond to the above lawsuits. Due to the ongoing litigation and the uncertainty regarding the implementation and execution of the post-trial rulings, the Group is currently taking legal advice as to the implication of the application for claims amendment received in August 2023 and assessing the possible contingent liabilities that may result from the above amended claims to the Group. During the court proceedings that took place on 11 September 2023, Chifeng Lifeng applied for the withdrawal of the whole lawsuit, but Inner Mongolia Chuangying has yet to receive a ruling in respect of the said withdrawal from the court as of Latest Practicable Date. Please refer to the announcements of the Company dated 19 June 2023 and 29 August 2023 for further details of the lawsuits.

## ***Material Events after the Reporting Period***

On 2 July 2023, New Focus Technology (Beijing) Co., Ltd.\* (紐福克斯科技(北京)有限公司) ("**New Focus (Beijing)**"), an indirect wholly-owned subsidiary of the Company, entered into a partnership agreement ("**Partnership Agreement**") with Tianjin Yun Qi Tian Technology Co., Ltd.\* (天津雲啟天科技有限公司) ("**Tianjin Yun Qi Tian**"), Yanshi Hongyuan 11 (Pingtan) Investment Partnership (Limited Partnership) ("**Yanshi Hongyuan**") and Beijing Xifu Technology Co., Ltd.\* (北京嘻福科技有限公司) ("**Beijing Xifu**") for the establishment of Tianjin Hongzhuo Enterprise Management Center (Limited Partnership)\* (天津宏卓企業管理中心(有限合夥)) ("**Tianjin Hongzhuo**"). According to the Partnership Agreement, the total amount of capital commitments of Tianjin Hongzhuo is RMB290,200,000, of which Tianjin Yun Qi Tian (as general partner) and Yanshi Hongyuan (as general partner and executive partner) will each contribute RMB100,000, while New Focus (Beijing) and Beijing Xifu (as limited partners) will contribute RMB140,000,000 and RMB150,000,000, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

Tianjin Hongzhuo will focus on national strategic emerging and high-tech industries, and will primarily invest in fields such as new energy and new materials. This includes specific subsectors such as new energy, lithium batteries, new materials and new energy engines. Tianjin Hongzhuo will prioritize its investments in those sectors principally engaged in by the Group and aims to form an ecological matrix with the resources from the Group, which will help to drive growth and innovation in these sectors. Tianjin Hongzhuo has identified four reserve projects with details as follows:

Project A: an innovative new energy technology company which integrates the research and development, production and sales of power batteries. It can independently produce positive and negative electrodes, battery cells, battery modules and other products, and is one of the few advanced manufacturers in the industry that has fully integrated the upstream and downstream industrial chains;

Project B: a company which has products covering two core material technology routes: lithium iron phosphate and ternary lithium. Such company has an annual production capacity of nearly 4GWh and still has a large area of industrial land available for capacity expansion;

Project C: a company which engages in the carbon fiber new material industry and the upstream and downstream industrial chains of such industry as its main business. The downstream demand is stable and sustainable, and the development space of this project is considerable. Such company also has the support capacity to supply the large-scale production of carbon fiber products; and

Project D: a company which engages in the research and development and manufacture of equipment for emerging energy and clean energy, represented by low-carbon fuel engines. It has core technologies such as the engine for the world's most advanced low-carbon fuel, i.e. liquefied natural gas (LNG), and more than 50 related patents for natural gas engines.

On 3 July 2023, Tianjin Hongzhuo signed an investment agreement to invest in Project C (“**Project C**”), which is in the upstream area of the carbon fiber new material industry among the above reserve projects. The pre-investment valuation of Project C was RMB144,000,000, and Tianjin Hongzhuo has made an equity investment in Project C by way of a capital contribution of RMB140,000,000, and after the completion of the capital contribution, Tianjin Hongzhuo will hold a 49.30% equity interest in Project C. Project C is expected to have stable and growing cash flow and strong profitability. Given that Tianjin Hongzhuo has just invested in this project, investment income and operating results have not yet been achieved.

# MANAGEMENT DISCUSSION AND ANALYSIS

Tianjin Hongzhuo has established an investment decision committee to make final decisions on relevant investment and exit decisions. The investment decision committee comprises one member appointed by each of New Focus (Beijing), Yanshi Hongyuan and Beijing Xifu and is chaired by the member appointed by Yanshi Hongyuan. All resolutions of the investment decision committee require the approval of the member appointed by New Focus (Beijing) in addition to a majority vote. The specific provisions of the investment decision committee's terms of reference, composition and rules of procedure shall be effective only after being approved by unanimous consent of all partners.

Tianjin Yun Qi Tian is a company established in the PRC with limited liability, which is owned as to 95% by Tianjin Yunqi Tianheng Enterprise Management Center (Limited Partnership)\* (天津雲啟天恒企業管理中心(有限合夥)) ("**Yunqi Tianheng**") and 5% by 陳淑凡 (Chen Shufan\*). Yunqi Tianheng is owned as to 80% by its general partner, 陳淑凡 (Chen Shufan\*), and 20% by its limited partner, 高斌 (Gao Bin\*). Tianjin Yun Qi Tian has experiences in investment management and related consultancy services.

Yanshi Hongyuan is a limited partnership established in the PRC and is owned as to 0.9901% by its general partner, Yanshi Capital and 99.0099% by its limited partner, 王景會 (Wang Jinghui\*). Yanshi Capital is owned as to 95% by Shannan Yanshi Chuangye Investment Co., Ltd.\* (山南焰石創業投資有限公司) ("**Shannan Yanshi**") and 5% by its executive partner, 楊磊 (Yang Lei\*). Shannan Yanshi is owned as to 51%, 45%, and 4% by 王景會 (Wang Jinghui\*), 王亞龍 (Wang Yalong\*) and 楊磊 (Yang Lei\*), respectively. Yanshi Capital has been established since March 2014 and is primarily focused on private equity investment funds and industrial investment funds, which has managed funds with size over RMB1,850,000,000. Yanshi Hongyuan is a limited partnership managed by Yanshi Capital and is principally engaged in private equity and industrial investments.

As of the Latest Practicable Date, New Focus (Beijing) has completed the contribution of RMB140,000,000 to Tianjin Hongzhuo. Please refer to the announcements of the Company dated 2 July 2023 and 19 July 2023 for further details of the formation of the partnership.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Employees and Remuneration Policy***

As at 30 June 2023, the Group employed a total of 713 full-time employees (30 June 2022: 889), of which 108 (30 June 2022: 192) 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 have been disclosed in the section headed "Other Information" of this interim report. 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 2022: 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 13,239,000 during the Period, representing a year-on-year increase of approximately 9.8%, of which the sales volume of passenger vehicles amounted to approximately 11,268,000, representing a year-on-year increase of approximately 2.1%. Driven by factors such as policy stimulus, the implementation of China's National VI emission standards for light vehicles, automotive marketing activities in various regions, and the introduction of new models, automobile sales achieved certain growth in the first half of the year. However, China's macroeconomic environment remains complicated and the unemployment rate is rising, suppressing the consumption demand of car owners in Mainland China. The industry in which the Group operates is under significant pressure and challenges.

## ***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 aftersales services, as well as the distribution of car insurance products and financial products.

# MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2023, after the withdrawal of the automotive brands under the Group's dealership, our existing customer base continued to diminish, and business related to the sales of new vehicles basically came to a halt, with only a portion of the maintenance business remaining to address customer issues passed from previous operations, such as providing services related to extended warranties and prepaid maintenance and insurance. Due to the relatively smaller impact of pandemic prevention policies during the Period, the business revenue from the Group's automobile dealer stores in the first half of 2023 increased slightly as compared to the same period last year.

The Group mainly implemented the following operating strategies for the Automobile Dealership and Services Business in the first half of 2023:

First, we closed outlets with no brand license and comprehensive retail stores.

Second, we laid off underperforming redundant employees due to business integration.

## **Manufacturing Business of the Group**

In the first half of 2023, the Group's Manufacturing Business was affected by the shrinking export market, resulting in a decrease in the total number of orders of our export business. On one hand, as the exports to the US market accounted for approximately 75% of the Group's Manufacturing Business, the impact of weak consumption and inflation in the US caused a significant decline of approximately 21% in the revenue from exports of the Group's Manufacturing Business as compared to the same period of 2021, but still showed growth as compared to the same period of last year. On the other hand, thanks to the favourable effect from the appreciation of the USD against RMB, the exchange gain increased and hence the operating profit of the Manufacturing Business of the Group registered growth.

The research and development ("R&D") of high-power inverters and energy storage products progressed smoothly. Well-known international customers received the first batch of new products after trial production. The follow-up R&D of the series of products are progressing. Due to the drastic decline in market demand for pre-installation commercial vehicles, revenue from the domestic trade business dropped significantly. As the domestic trade business is anticipating market recovery, we will continue to promote the R&D of new products and procurement of new customers.

## **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.

# OTHER INFORMATION

## **Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations**

As of 30 June 2023, to the best knowledge of the Directors, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company**

So far as the Directors are aware, as at 30 June 2023, the interests and short positions of the following persons, other than the Directors and chief executives of the Company, in the shares and underlying shares of the Company, as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

<b>Name of substantial shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares interested</b> <i>(Note 1)</i>	<b>Approximate percentage of total issued shares</b> <i>(Note 2)</i>
Daodu (Hong Kong) Holding Limited	Beneficial owner	10,449,312,134 (L)	60.69%
Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%

# OTHER INFORMATION

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested <i>(Note 1)</i>	Approximate percentage of total issued shares <i>(Note 2)</i>
Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Guorui Xin Fuxesi Investment Center, L.P.* (青島國瑞新福克斯投資中心(有限合夥)) (the " <b>Fund</b> ") <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Chunxi Asset Management (Beijing) Co., Ltd.* (春熙資產管理(北京)有限公司) (" <b>Chunxi AM</b> ") <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Luo Xiaoman <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Guorui Hengda Investment Development Co., Ltd.* (青島國瑞恒達投資開發有限公司) (" <b>Guorui Hengda</b> ") <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司) <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Laixi State-owned Assets Investment Service Center* (萊西市國有資產投資服務中心) <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%



# OTHER INFORMATION

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested <i>(Note 1)</i>	Approximate percentage of total issued shares <i>(Note 2)</i>
Qingdao Lingdu Venture Capital Management Co., Ltd.* (青島零度創業投資管理有限公司) (the " <b>General Partner</b> ") <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Wuhan Zero Innovation Venture Capital Management Co., Ltd.* (武漢零度創新創業投資管理有限公司) (the " <b>Investment Manager</b> ") <i>(Note 3)</i>	Investment Manager	10,449,312,134 (L)	60.69%
Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司) (" <b>OVU</b> ") <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
China Electronics Optics Valley Union Company Limited <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
AAA Holdings Limited <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
China Electronics Optics Valley Union Holding Company Limited (" <b>CEOVU</b> ") <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%

# OTHER INFORMATION

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested <i>(Note 1)</i>	Approximate percentage of total issued shares <i>(Note 2)</i>
Huang Liping <i>(Note 3)</i>	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
CDH Fast Two Limited	Beneficial owner	1,614,776,043 (L)	9.38%
CDH Fast One Limited <i>(Note 4)</i>	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
Fast Point Limited <i>(Note 4)</i>	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
CDH Fund IV, L.P. <i>(Note 4)</i>	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
CDH IV Holdings Company Limited <i>(Note 4)</i>	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
China Diamond Holdings IV, L.P. <i>(Note 4)</i>	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
China Diamond Holdings Company Limited <i>(Note 4)</i>	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
Hong Kong Prosper Way Investment Ltd.	Beneficial owner	1,537,721,905 (L)	8.93%

# OTHER INFORMATION

## Notes:

1. The letter "L" denotes a long position in the shares.
  2. The percentage represents the number of shares interested divided by the total number of issued shares of the Company as at 30 June 2023 of 17,216,948,349.
  3. Each of (i) Shenzhen Daodu Industrial Limited Company\* (深圳道度實業有限公司) (as the sole shareholder of Daodu (Hong Kong) Holding Limited); (ii) Qingdao Guorui Chunxi Industrial Limited Company\* (青島國瑞春熙實業有限責任公司) (as the sole shareholder of Shenzhen Daodu Industrial Limited Company\* (深圳道度實業有限公司)); (iii) the Fund (which directly owns 99.11% of Qingdao Guorui Chunxi Industrial Limited Company\* (青島國瑞春熙實業有限責任公司)); (iv) Chunxi AM (which directly owns 50.92% of the Fund); (v) Luo Xiaoman (who directly owns 82.50% of Chunxi AM); (vi) Guorui Hengda (which directly owns 48.92% of the Fund); (vii) Qingdao Changyang Group Co., Ltd.\* (青島昌陽集團有限公司) (as the sole shareholder of Guorui Hengda); (viii) Laixi State-owned Assets Investment Service Center\* (萊西市國有資產投資服務中心) (as the sole shareholder of Qingdao Changyang Group Co., Ltd.\* (青島昌陽集團有限公司)); (ix) the General Partner (as the general partner of the Fund); (x) the Investment Manager (as the investment manager of the Fund); (xi) Wuhan Lingdu Capital Investment and Management Co., Ltd.\* (武漢零度資本投資管理有限公司) (as the sole shareholder of the General Partner); (xii) OVU (which directly owns 45% of Wuhan Lingdu Capital Investment and Management Co., Ltd.\* (武漢零度資本投資管理有限公司)); (xiii) Optics Valley Union Holding Limited Company\* (光谷聯合控股有限公司) (as the sole shareholder of OVU); (xiv) China Electronics Optics Valley Union Company Limited (as the sole shareholder of Optics Valley Union Holding Limited Company\* (光谷聯合控股有限公司)); (xv) AAA Holdings Limited (as the sole shareholder of China Electronics Optics Valley Union Company Limited); (xvi) CEOVU (as the sole shareholder of AAA Holdings Limited); and (xvii) Huang Liping (who indirectly owns 25.14% of CEOVU and ultimately and beneficially owns 80% and 40% of two limited partnerships which directly owns 30% and 25% of Wuhan Lingdu Capital Investment and Management Co., Ltd.\* (武漢零度資本投資管理有限公司), respectively), is deemed to be interested in the shares of the Company under the SFO.
  4. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); Fast Point Limited (as the sole shareholder of CDH Fast One Limited); CDH Fund IV, L.P. (as the sole shareholder of Fast Point Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be indirectly interested in the shares of the Company under the SFO.
- \* The English names are transliterations of their respective Chinese names which have not been registered.

Save as disclosed above, the Directors are not aware of any person who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2023.

# OTHER INFORMATION

## ***Share Option Scheme***

The Company terminated the old share option scheme and adopted a new share option scheme (the “Scheme”) pursuant to a shareholders’ resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. A summary of the principal terms of the Scheme was included in the circular dated 30 April 2014 of the Company.

The total number of shares available for issue under the Scheme is 376,116,501, representing approximately 10% of the total issued share capital of the Company as at the date of approval of the Scheme. As at 30 June 2023, no options granted by the Company under the Scheme remained outstanding. The total number of shares available for issue/grant under the Scheme were/are both 363,076,327, representing approximately 2.11% of the total number of shares in issue of the Company as 30 June 2023 (as at 1 January 2023: 363,076,327).

## ***Purchase, Sale and Redemption of the Company’s Listed Securities***

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

## ***Corporate Governance***

In the opinion of 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.

# OTHER INFORMATION

## ***Non-compliance with Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules***

Following the resignations of Mr. Hu Yuming and Ms. Shi Jing on 14 March 2023, the number of the independent non-executive Directors and the members of each of the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) of the Company had fallen below the minimum number required under Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules during the Period.

Following the subsequent appointments of Mr. Huang Bo and Mr. Zhang Kaizhi on 12 June 2023, the number of the independent non-executive Directors and the members of each of the Audit Committee, the Remuneration Committee and the Nomination Committee re-complied with the minimum number required under Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules.

## ***Securities Transactions by Directors***

The Company adopted the Model Code 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. With specific enquiries made to all the Directors by the Company, all the Directors confirmed that they had complied with the requirements set out in the Model Code during the Period.

## ***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 Period. The accounting information in this interim report has not been audited but has been reviewed by the Audit Committee.

By order of the Board

**New Focus Auto Tech Holdings Limited**

**Tong Fei**

*Executive Director*

Hong Kong, 30 August 2023

# OTHER INFORMATION

## **Issue of Subscription Shares Under Specific Mandate**

The Company completed the issue of new 10,449,312,134 ordinary shares (with an aggregate nominal value of approximately HK\$1,044,931,213) under specific mandate to Daodu (Hong Kong) Holding Limited (the “**Subscriber**”) at the subscription price of HK\$0.059 per subscription share (the “**Subscription**”) for an aggregate consideration of HK\$616,509,415.906 on 21 December 2022. The closing price of the shares as quoted on the Stock Exchange on 28 May 2021, being the date of the subscription agreement, was HK\$0.085 per share.

The intended and actual usage of the net proceeds raised from the Subscription of approximately HK\$615 million (i.e. net issue price of approximately HK\$0.059 per share) are set out as follows:

Amount of net proceeds allocated	Net proceeds utilised during the Period	Net proceeds utilised up to 30 June 2023	Net proceeds unutilised as at 30 June 2023 <sup>(note 1)</sup>	Expected timetable for utilising the unused proceeds <sup>(note 2)</sup>
HK\$ million (approximate)	HK\$ million (approximate)	HK\$ million (approximate)	HK\$ million (approximate)	

### **Enhancement of the Company's**

#### **manufacturing capability**

– purchase of land use rights in Economic Development Zone, Laixi City, Qingdao City, Shandong Province	65	0	0	65	By 31 December 2023
– construction of new production plants and other supporting facilities	335	8.8	8.8	326.2	By 31 December 2023
– purchase of related production equipment in the PRC for production of automotive parts for new energy vehicle	46	0	0	46	By 31 December 2023
<b>Repayment of the outstanding bank and other loans of the Group</b>	111	0	88	23	By 31 December 2023

# OTHER INFORMATION

	Amount of net proceeds allocated	Net proceeds utilised during the Period	Net proceeds utilised up to 30 June 2023	Net proceeds unutilised as at 30 June 2023 <sup>(Note 1)</sup>	Expected timetable for utilising the unused proceeds <sup>(Note 2)</sup>
	HK\$ million (approximate)	HK\$ million (approximate)	HK\$ million (approximate)	HK\$ million (approximate)	
<b>General working capital of the Group</b>					
- procurement costs of the Group's manufacturing business and automobile dealership and service business	41	0	0	41	By 31 December 2023
- remuneration of the Group's employees	9	1.4	1.4	7.6	By 31 December 2023
- the Group's other daily expenses	8	0	0	8	By 31 December 2023
<b>Total</b>	<b>616</b>	<b>10.1</b>	<b>98.1</b>	<b>516.9</b>	

## Notes:

- As disclosed in the announcement of the Company dated 30 March 2023 and 24 April 2023 and in the 2022 annual report of the Company, due to the industrial development plan (including land bidding plans, optimisation of the industrial orientation) of, and pending the introduction of more favorable policies to the auto industry by, the Qingdao Laixi Municipal Government, the net proceeds from the Subscription could not be immediately applied as intended for the construction and production of the new production plant in Laixi City in short term. As such, the Company has applied approximately RMB474 million for the commodities trading business from December 2022 to March 2023 and also approximately RMB273 million for the Second Loan. All the zinc ingot purchased for the purpose of commodities trading have been sold, and the proceeds from such sale (including the RMB474 million net proceeds from the Subscription) have been received by the Group and the Second Loan has been repaid in April 2023.
- The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

For more details of the Subscription, please refer to the announcements of the Company dated 28 May 2021, 13 September 2021, 21 December 2022, 30 March 2023 and 24 April 2023 and the circular of the Company dated 29 July 2021, respectively.