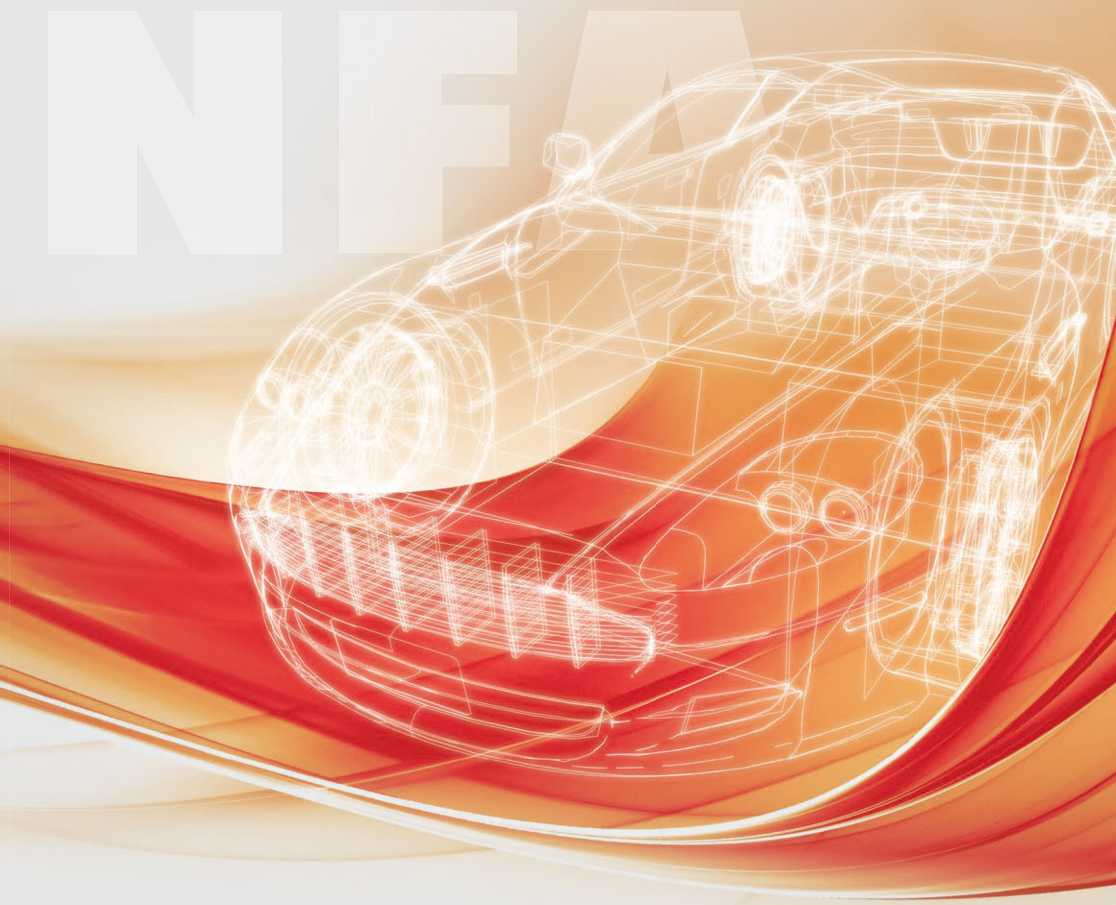
新焦點汽車技術控股有限公司*
New Focus Auto Tech Holdings Limited

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

INTERIM REPORT 2019



* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors

Executive Director

Tong Fei *(appointed with effect from 1 July 2019)*

Non-executive Directors

Wang Zhenyu

Zhang Jianxing *(Acting Chairman with effect from 1 July 2019)*

Independent Non-executive Directors

Hu Yuming

Lin Lei

Zhang Xiaoya

Company Secretary

Liu Xiao Hua

Registered Office

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Grand Cayman KY1-1111
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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

Paul Hastings
21-22/F, Bank of China Tower
1 Garden Road
Hong Kong

Principal Share Registrar and Transfer Office

SMP Partner (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

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17M/F, Hopewell Centre
183 Queen's Road East
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Hong Kong

Stock Code

360

Websites

https://www.nfa360.com

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)
Revenue	*4*	**1,191,496**	533,035
Cost of sales and services		**(1,050,858)**	(452,928)
Gross profit		**140,638**	80,107
Other revenue and gains and losses	*5*	**14,344**	129,446
Distribution costs		**(128,286)**	(70,817)
Administrative expenses		**(74,147)**	(63,221)
Finance costs	*6*	**(31,190)**	(19,781)
Share of loss of an associate		**–**	(159)
(Loss)/profit before taxation		**(78,641)**	55,575
Income tax	*7*	**6,890**	(6,923)
(Loss)/profit for the period		**(71,751)**	48,652
Other comprehensive (loss)/income	*8*		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1,048)**	8,502
Other comprehensive (loss)/income for the period, net of tax		**(1,048)**	8,502
Total comprehensive (loss)/income for the period		**(72,799)**	57,154

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Continued)

For the six months ended 30 June 2019

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to			
– Equity shareholders of the Company		**(50,722)**	71,754
– Non-controlling interests		**(21,029)**	(23,102)
		(71,751)	48,652
Total comprehensive (loss)/income attributable to			
– Equity shareholders of the Company		**(51,770)**	80,256
– Non-controlling interests		**(21,029)**	(23,102)
		(72,799)	57,154
(Loss)/earnings per share	*9*		
Basic (RMB cents)		**(0.749)**	1.445
Diluted (RMB cents)		**(0.749)**	0.296

Unaudited Consolidated Statement of Financial Position
As at 30 June 2019
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**219,554**	234,588
Right-of-use assets	*11*	**101,983**	–
Leasehold land and land use rights	*11*	**27,549**	28,083
Investment properties	*11*	**46,481**	46,481
Goodwill	*11*	**43,919**	43,919
Other intangible assets	*11*	**48,034**	48,578
Amounts due from related parties	*20*	**24,262**	24,262
Financial assets at fair value through other comprehensive income		**44,232**	44,232
Other non-current assets		**5,915**	6,010
Deferred tax assets		**28,855**	18,498
		590,784	494,651
Current assets			
Inventories	*12*	**331,718**	516,886
Tax recoverable		**6**	2,400
Trade receivables	*13*	**179,837**	221,238
Deposits, prepayments and other receivables		**552,839**	517,206
Amounts due from related parties	*20*	**642,095**	678,816
Pledged time deposits		**500**	4,500
Cash and cash equivalents		**103,431**	134,460
		1,810,426	2,075,506
Current liabilities			
Bank and other borrowings, secured	*14*	**422,052**	552,309
Trade payables	*15*	**282,624**	316,168
Contract liabilities		**195,214**	214,320
Accruals and other payables		**209,460**	218,444
Amounts due to related parties	*20*	**58,779**	66,523
Lease liabilities		**3,057**	–
Tax payable		**6,519**	12,439
Convertible bonds	*16*	**183,552**	182,520
		1,361,257	1,562,723

Unaudited Consolidated Statement of Financial Position *(Continued)*
As at 30 June 2019
(Expressed in Renminbi)

	Note	**At 30 June 2019 RMB'000 (Unaudited)**	At 31 December 2018 RMB'000 (Audited)
Net current assets		**449,169**	512,783
Total assets less current liabilities		**1,039,953**	1,007,434
Non-current liabilities			
Lease liabilities		**105,455**	–
Deferred tax liabilities		**21,875**	22,010
		127,330	22,010
NET ASSETS		**912,623**	985,424
CAPITAL AND RESERVES			
Share capital	*17*	**556,286**	556,286
Reserves	*18*	**391,392**	443,162
Total equity attributable to equity shareholders of the Company		**947,678**	999,448
Non-controlling interests		**(35,055)**	(14,024)
TOTAL EQUITY		**912,623**	985,424

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

(Expressed in Renminbi)

	Share capital RMB'000	Share premium and other reserve 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 2019	556,286	1,615,626	(1,172,464)	999,448	(14,024)	985,424
Loss for the period	–	–	(50,722)	(50,722)	(21,029)	(71,751)
Other comprehensive loss for the period	–	(1,048)	–	(1,048)	–	(1,048)
Total comprehensive loss for the period	–	(1,048)	(50,722)	(51,770)	(21,029)	(72,799)
Forfeited share options	–	(3,008)	3,008	–	–	–
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	(2)	(2)
Balance at 30 June 2019	556,286	1,611,570	(1,220,178)	947,678	(35,055)	912,623

Unaudited Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2019

(Expressed in Renminbi)

	Share capital RMB'000	Share premium and other reserve 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 Janaury 2018	398,481	1,070,144	(1,272,204)	196,421	21,506	217,927
Profit/(loss) for the period	–	–	71,754	71,754	(23,102)	48,652
Other comprehensive income for the period	–	8,502	–	8,502	–	8,502
Total comprehensive income for the period	–	8,502	71,754	80,256	(23,102)	57,154
Shares issued under subscription agreements	155,886	473,647	–	629,533	–	629,533
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	(114)	(114)
Balance at 30 June 2018	554,367	1,552,293	(1,200,450)	906,210	(1,710)	904,500

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019

(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from/(used in) operations	**23,791**	(16,380)
Tax paid	**(7,269)**	(2,927)
Net cash generated from/(used in) operating activities	**16,522**	(19,307)
Investing activities		
Proceeds from disposal of subsidiaries	**–**	3,847
Purchase of property, plant and equipment	**(14,043)**	(14,287)
Loans repaid by third parties	**128,670**	123,500
Loans to third parties	**(128,385)**	(320,905)
Other cash flows arising from investing activities	**7,880**	17,503
Net cash used in investing activities	**(5,878)**	(190,342)
Financing activities		
Net decrease in bank and other borrowings, secured	**(11,728)**	(8,742)
Net cash from issue of shares under subscription agreements	**–**	440,558
Payment of lease liabilities	**(10,977)**	–
Other cash flows arising from financing activities	**(18,968)**	(9,645)
Net cash (used in)/generated from financing activities	**(41,673)**	422,171
Net (decrease)/increase in cash and cash equivalents	**(31,029)**	212,522
Cash and cash equivalents, beginning of period	**134,460**	132,944
Cash and cash equivalents, end of period	**103,431**	345,466

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") 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 the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region and trading of automobile accessories; and the automotive sales, automotive after-sales service and the distribution of automotive insurance products, and automotive financial products through its automotive dealership networks in the Inner Mongolia Autonomous Region. The Company and its subsidiaries are collectively referred to as the Group.

2. Basis of Preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 16 August 2019.

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2019.

3. Changes in Accounting Policies

In the current accounting period, the Group has applied, for the first time, a number of new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

- IFRS 16 Leases

The impact of the adoption of and transition to this standard are disclosed below. The other standards and interpretations that became effective in this accounting period did not have material impact on the Group's accounting policies and did not require any adjustments.

IFRS 16 replaces IAS 17, Leases, and the related interpretations. It introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 without restating comparatives.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. Changes in Accounting Policies *(Continued)*

(a) Changes in the accounting policies *(Continued)*

Lessee accounting

The Group as lessee, has recognised almost all leases as right-of-use assets and lease liabilities, including leases previously classified as operating leases under IAS 17, other than those short-term leases (i.e. where the term is 12 months or less) and leases of low-value assets.

The lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using an incremental borrowing rate of the Group. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lessor accounting

The Group leases out its investment property. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

3. Changes in Accounting Policies *(Continued)*

(b) Impacts on transition

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the incremental borrowing rates at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, if any.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of the remaining lease term; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

Consolidated Statement of Financial Position (extracted)	31 December 2018 RMB'000	IFRS 16 RMB'000	1 January 2019 RMB'000
Non-current assets			
Right-of-use assets	–	113,090	113,090
Current liabilities			
Lease liabilities	–	(2,265)	(2,265)
Non-current liabilities			
Lease liabilities	–	(110,825)	(110,825)

3. Changes in Accounting Policies *(Continued)*

(b) Impacts on transition *(Continued)*

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Properties leased for own use, carried at depreciated cost	**101,983**	113,090
	101,983	113,090

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Within 1 year	**3,057**	2,265
After 1 year but within 5 years	**46,972**	50,007
Over 5 years	**58,483**	60,818
	108,512	113,090

3. Changes in Accounting Policies *(Continued)*

(c) Impacts for the period

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the amortisation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This resulted in a negative impact on the reported loss from operations in the Group's consolidated income statement, as compared to the results if IAS 17 had been applied during the year.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial results for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

Financial results for the six months ended 30 June 2019 impacted by the adoption of IFRS 16	**Amounts reported under IFRS 16**	**Add back amortisation and interest expenses under IFRS 16**	**Less estimated amounts relating to operating lease as if under IAS 17**	**Hypothetical amounts for 2019 as if under IAS 17**	**Amounts reported for 2018 under IAS 17**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Distribution costs	(128,286)	16,898	(18,466)	(129,854)	(70,817)
Administrative expenses	(74,147)	1,217	(1,449)	(74,379)	(63,221)
Finance costs	(31,190)	2,685	–	(28,505)	(19,781)
(Loss)/profit before taxation	(78,641)	20,800	(19,915)	(77,756)	55,575

4. Revenue and Segment Information

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sale of goods	**1,064,614**	368,789
Service income	**126,882**	164,246
	1,191,496	533,035

The Group derives revenue from sales of goods and service income over time and at a point in time are presented as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Recognised at a point in time:		
– Sale of goods	**979,023**	274,942
– Service income	**66,702**	93,907
	1,045,725	368,849
Recognised over time:		
– Sale of goods	**85,591**	93,847
– Service income	**60,180**	70,339
Total	**1,191,496**	533,035

(a) Reportable segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group operates in four reportable segments: (i) the provision of automobile repair, maintenance and restyling services (the "Retail Service Business"); (ii) trading of automobile accessories (the "Wholesale Business"); (iii) the manufacture and sale of automobile accessories (the "Manufacturing Business"); and (iv) operating the 4S dealership stores and related business (the "Automobile Dealership and Services Business").

4. Revenue and Segment Information *(Continued)*

(a) Reportable segment *(Continued)*

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

Set out below is an analysis of segment information:

For the six months ended 30 June 2019	Retail Service Business RMB'000	Wholesale Business RMB'000	Manufacturing Business RMB'000	Automobile Dealership and Services Business RMB'000	Total RMB'000
Revenue					
External revenue	145,771	40,061	212,108	793,556	1,191,496
Inter-segment revenue	–	–	–	–	–
Segment revenue	145,771	40,061	212,108	793,556	1,191,496
Less: inter-segment revenue					–
Total revenue					1,191,496
Reportable segment results	(31,966)	(7,916)	(13,945)	(5,996)	(59,823)
Interest income	72	25	56	192	345
Unallocated interest income					12
Total interest income					357
Interest expenses	(3,790)	(59)	(557)	(5,756)	(10,162)
Unallocated interest expenses					(21,028)
Total interest expenses					(31,190)
Depreciation and amortisation charges	(30,482)	(1,341)	(7,408)	(3,943)	(43,174)
Unallocated depreciation and amortisation charges					(1,349)
Total depreciation and amortisation charges					(44,523)

4. Revenue and Segment Information *(Continued)*

(a) Reportable segment *(Continued)*

For the six months ended 30 June 2018	Retail Service Business RMB'000	Wholesale Business RMB'000	Manufacturing Business RMB'000	Automobile Dealership and Services Business RMB'000	Total RMB'000
Revenue					
External revenue	164,186	140,824	228,025	–	533,035
Inter-segment revenue	–	–	56	–	56
Segment revenue	164,186	140,824	228,081	–	533,091
Less: inter-segment revenue					(56)
Total revenue					533,035
Reportable segment results	(37,639)	338	(4,834)	–	(42,135)
Interest income	64	49	100	–	213
Unallocated interest income					28,177
Total interest income					28,390
Interest expenses	(369)	–	(846)	–	(1,215)
Unallocated interest expenses					(18,566)
Total interest expenses					(19,781)
Depreciation and amortisation charges	(12,885)	(540)	(5,873)	–	(19,298)
Unallocated depreciation and amortisation charges					(81)
Total depreciation and amortisation charges					(19,379)

4. Revenue and Segment Information *(Continued)*

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Loss before taxation		
Reportable segment loss	**(59,823)**	(42,135)
Unallocated other revenue and gains and losses	**12,101**	126,381
Unallocated corporate expenses	**(9,891)**	(10,105)
Unallocated finance costs	**(21,028)**	(18,566)
Consolidated (loss)/profit before taxation	**(78,641)**	55,575

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
Assets:		
Reportable segment assets	**2,062,010**	2,222,894
Unallocated corporate assets	**339,200**	347,263
Consolidated total assets	**2,401,210**	2,570,157
Liabilities:		
Reportable segment liabilities	**1,282,920**	1,382,078
Unallocated corporate liabilities	**205,667**	202,655
Consolidated total liabilities	**1,488,587**	1,584,733

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, right-of-use assets, leasehold land and land use rights, other intangible assets and goodwill ("specified non-current assets"):

	Revenue from external customers Six months ended 30 June		Specified non-current assets	
	2019 RMB'000	2018 RMB'000	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
PRC (Place of domicile)	**1,071,473**	399,065	**487,520**	401,649
America	**99,641**	110,914	**–**	–
Europe	**6,923**	6,594	**–**	–
Asia Pacific	**13,459**	16,462	**–**	–
	1,191,496	533,035	**487,520**	401,649

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

(d) Major customers

During the six months ended 30 June 2019, the Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue.

5. Other Revenue and Gains and Losses

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Fair value change of conversion option	**12,150**	89,387
Interest income	**357**	28,390
Exchange (loss)/gain, net	**(1,579)**	8,456
Others	**3,416**	3,213
	14,344	129,446

6. Finance Costs

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest on bank borrowings repayable within five years	**10,578**	3,827
Interest on convertible bonds	**17,927**	15,954
Interest on lease liabilities	**2,685**	–
	31,190	19,781

7. Income Tax

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax	**5,610**	(1,024)
Deferred tax	**(12,500)**	7,947
	(6,890)	6,923

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 2019 (30 June 2018: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

8. Other Comprehensive (Loss)/Income

For the six months ended 30 June 2019	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange reserve			
Exchange differences on translating foreign operations	**(1,048)**	**–**	**(1,048)**

8. Other Comprehensive (Loss)/Income *(Continued)*

For the six months ended 30 June 2018	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange reserve			
Exchange differences on translating foreign operations	8,502	–	8,502

9. (Loss)/Earnings Per Share

The calculations of basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(Loss)/profit for the year attributable to the equity shareholders of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(50,722)**	71,754
Shares		
Weighted average number of ordinary shares for the basic (loss)/earnings per share calculation	**6,767,636,215**	4,967,054,347
Effect of dilution – weighted average number of ordinary shares:		
– Share options#	**–**	–
– Convertible bonds*	**–**	662,123,617
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**6,767,636,215**	5,629,177,964

The computation of diluted (loss)/earnings per share for the six months ended 30 June 2019 and 2018 does not assume the conversion of the Company's outstanding share options since the impact of those share options on basic (loss)/earnings per share is anti-dilutive.

* The computation of diluted loss per share for the six months ended 30 June 2019 does not assume the conversion of the Company's convertible bonds since the impact of those bonds on basic loss per share is anti-dilutive.

10. Dividend

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

11. Capital Expenditure

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Leasehold land and land use rights RMB'000	Investment properties RMB'000	Goodwill RMB'000	Other intangible assets RMB'000
Net carrying amount as at 31 December 2018	**234,588**	**–**	**28,083**	**46,481**	**43,919**	**48,578**
Impact on initial application of IFRS 16	**–**	**113,090**	**–**	**–**	**–**	**–**
Beginning net carrying amount as at 1 January 2019	**234,588**	**113,090**	**28,083**	**46,481**	**43,919**	**48,578**
Additions	**17,297**	**7,008**	**–**	**–**	**–**	**–**
Disposals	**(7,001)**	**–**	**–**	**–**	**–**	**–**
Depreciation charge for the period	**(25,330)**	**(18,115)**	**(534)**	**–**	**–**	**(544)**
Ending net carrying amount as at 30 June 2019	**219,554**	**101,983**	**27,549**	**46,481**	**43,919**	**48,034**

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Leasehold land and land use rights RMB'000	Investment properties RMB'000	Goodwill RMB'000	Other intangible assets RMB'000
Beginning net carrying amount as at 1 January 2018	206,033	–	29,152	46,398	43,919	49,660
Additions	29,817	–	–	–	–	32
Disposals	(731)	–	–	–	–	–
Depreciation charge for the period	(18,303)	–	(535)	–	–	(541)
Acquisition of a subsidiary	1,062	–	–	–	–	–
Ending net carrying amount as at 30 June 2018	217,878	–	28,617	46,398	43,919	49,151

12. Inventories

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Raw material	**36,024**	41,994
Work in progress	**22,191**	33,020
Finished goods	**24,975**	62,608
Merchandise goods	**248,528**	379,264
	331,718	516,886

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 2019 RMB'000	At 31 December 2018 RMB'000
Current to 30 days	**84,580**	75,828
31 to 60 days	**26,729**	76,308
61 to 90 days	**26,355**	18,051
Over 90 days	**59,420**	68,618
	197,084	238,805
Less: allowance for credit losses	**(17,247)**	(17,567)
	179,837	221,238

14. Bank and Other Borrowings, Secured

Bank and other borrowings are repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
On demand or within one year	**422,052**	552,309
	422,052	552,309

15. Trade Payables

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current to 30 days	**105,156**	140,018
31 to 60 days	**30,702**	39,870
61 to 90 days	**33,167**	38,656
Over 90 days	**113,599**	97,624
	282,624	316,168

16. Convertible Bonds

CCBI CBs

In September 2017, the Company issued redeemable convertible notes (the "CCBI CBs") in the principal amount of US$35,000,000 (equivalent to RMB230,681,500) to High Inspiring Limited ("High Inspiring", a company incorporated with limited liability and an indirect wholly owned subsidiary of CCB International (Holdings) Limited ("CCBI")), pursuant to the convertible note purchase agreement signed by them. The net proceeds of the CCBI CBs available to the Group was RMB230,128,425, after net-off of issuance costs of RMB553,075. The coupon interest rate of CCBI CBs is 7%, payable semi-annually in arrears on 1 March and 1 September in each year. The maturity date of the CCBI CBs will be the second anniversary of the issue date (i.e. September 2019) and the CCBI CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$0.306085 per share, subject to certain adjustments.

16. Convertible Bonds *(Continued)*

CCBI CBs *(Continued)*

Unless previously redeemed, converted or cancelled in accordance with the conditions, the Company will redeem on the maturity date the entire outstanding principal amount of the convertible bonds to the aggregate of (i) the base redemption amount, (ii) 7% interest accrued and outstanding, (iii) any 15% default interest accrued and outstanding, (iv) a premium, which in the aggregate with the base redemption amount, will provide High Inspiring with an IRR of 12% per annum on the base redemption amount, calculated from the issue date of the convertible bonds to the date of such redemption, taking into account all interest paid on the convertible bonds and any accrued and outstanding interest under clause (ii) above but excluding any default interest paid or any default interest accrued and outstanding, and (v) any other payment accrued and outstanding to the holder pursuant to the transaction documents.

As a security to CCBI, CDH Fast Two Limited, the controlling shareholder of the Company, charged all its owned shares in the Company in favour of CCBI.

The fair value of the conversion option of the CCBI CBs upon issuance is calculated by binominal model based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers, and is treated as a derivative financial liability. The residual amount, representing the value of the host contract, is classified as other financial liability. The initially recognized derivative and host contract of the CCBI CBs amounted to RMB39,129,000 and RMB190,999,000 respectively after net-off of the issuance costs.

On 14 September 2017 and 3 October 2017, High Inspiring partially converted CCBI CBs with total principal amount of US$10,000,000. The Group allotted and issued a total of 253,197,640 shares to High Inspiring at the conversion price of HK$0.306085. The fair value of conversion option is RMB87,042,000 as at the conversion date, of which changes on fair value of RMB75,833,000 had been charged into profit or loss. As at 31 December 2017, the fair value of remaining conversion option was RMB159,973,000, of which changes on fair value of RMB132,198,000 had been charged into profit or loss.

After taking into account the abovementioned changes in fair value of the conversion option of CCBI CBs, the Group failed to comply with certain of the covenant requirements of the CCBI CBs as at 31 December 2017, including the amount of total equity attributable to the owners of the Company and the ratio of the consolidated total liabilities to the consolidated total assets of the Group. As set out in the convertible note purchase agreement, should the Group be unable to comply with the covenants, the remaining balances in relation to CCBI CBs would become payable on demand. Accordingly, the carrying amount of CCBI CBs of RMB305,260,000 is presented under current liabilities in the consolidated statement of financial position as at 31 December 2017.

16. Convertible Bonds *(Continued)*

CCBI CBs *(Continued)*

In accordance with the relevant terms and conditions of the CCBI CBs, the conversion price under CCBI CBs was adjusted from HK$0.306085 per share to HK$0.280511 per share upon the completion of the Subscription on 19 June 2018. On 4 September 2018, High Inspiring converted CCBI CBs with a total principal amount of US$800,000. The Group allotted and issued 22,102,520 shares to High Inspiring at a conversion price of HK$0.280511. As at 30 June 2019, the aggregate outstanding principal of the CCBI CBs was USD24,200,000. The Company intends to redeem the outstanding principal of the CCBI CBs.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Beginning of the period	**182,520**	305,260
Imputed interest expense	**17,927**	15,954
Paid interest expense	**(5,703)**	(5,704)
Fair value change of conversion option	**(12,150)**	(89,387)
Exchange realignment	**958**	3,617
End of period	**183,552**	229,740

17. Share Capital

	Number of shares	**Amount**	
	'000	**HK$'000**	**RMB'000**
Balance at 1 January 2018	**4,840,772**	**484,078**	**398,481**
Conversion of convertible bonds	**22,102**	**2,210**	**1,919**
Share issued under subscription agreements	**1,904,762**	**190,476**	**155,886**
Balance at 31 December 2018	**6,767,636**	**676,764**	**556,286**
Balance at 30 June 2019	**6,767,636**	**676,764**	**556,286**

18. Reserves

	Share premium RMB'000	Statutory reserve fund RMB'000	Reorganisation reserve RMB'000	Enterprise expansion fund RMB'000	Others RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2019	**1,482,219**	**61,750**	**4,643**	**2,756**	**70,585**	**1,545**	**(7,872)**	**1,615,626**
Other comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(1,048)**	**(1,048)**
Forfeited share options	**–**	**–**	**–**	**–**	**(3,008)**	**–**	**–**	**(3,008)**
Balance at 30 June 2019	**1,482,219**	**61,750**	**4,643**	**2,756**	**67,577**	**1,545**	**(8,920)**	**1,611,570**

	Share premium RMB'000	Statutory reserve fund RMB'000	Reorganisation reserve RMB'000	Enterprise expansion fund RMB'000	Others RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2018	1,002,899	56,873	4,643	2,756	29,490	1,545	(28,062)	1,070,144
Other comprehensive income for the period	–	–	–	–	–	–	8,502	8,502
Share issued under subscription agreements	473,647	–	–	–	–	–	–	473,647
Balance at 30 June 2018	1,476,546	56,873	4,643	2,756	29,490	1,545	(19,560)	1,552,293

19. Commitments

(a) Capital commitment

As at the end of the reporting period, capital commitments not provided for in the financial statements were as follow:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	**7,642**	12,841
Authorised but not contracted for	**36,533**	50,576
	44,175	63,417

19. Commitments *(Continued)*

(b) Operating lease commitment

As lessee

As at the end of the reporting period, the Group's total minimum payments under short term leases (2018: total future minimum lease payments under non-cancellable operating leases) were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**10,577**	149,318
Over 1 year but within 5 years	**–**	302,704
Over 5 years	**–**	117,141
	10,577	569,163

As at 30 June 2019, the Group's various properties and offices were under operating lease contracts with a term within 12 months, which may be exempted from recognising on right-of-use assets and lease liabilities under IFRS 16.

As lessor

As at 30 June 2019 and 31 December 2018, the Group leased out its investment property under operating leases. As at the end of the reporting period, the Group's total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**1,290**	1,979
Over 1 year but within 5 years	**3,149**	2,646
	4,439	4,625

20. Related Parties Transactions

(a) Transaction with related parties

(i) During the reporting period and in the ordinary course of business, the Group has the following material transactions with related companies which are not members of the Group:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of goods to the companies with common director:		
Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司)	**1,210**	–
Tongliao Lifeng Taijin Automobile Sales & Service Co., Ltd* (通遼市利豐泰津汽車銷售服務有限公司)	**744**	–
Others	**661**	–
Purchase of goods from the companies with common director:		
Inner Mongolia Yusheng Automobile Service Co., Ltd.* (內蒙古鈺盛汽車服務有限公司)	**7,188**	–
Inner Mongolia Taida Automobile Service Co., Ltd.* (內蒙古泰達汽車服務有限公司)	**1,746**	–
Others	**452**	–
Rental expenses paid to the companies with common director:		
Inner Mongolia Lifeng Automobile Co., Ltd.* (內蒙古利豐汽車有限公司)	**4,550**	–
Tongliao Tonghua Investment Co., Ltd* (通遼市通華投資有限責任公司)	**1,254**	–
Hinggan Lifeng Hengtai Automobile Sales Co., Ltd.* (興安盟利豐恒泰汽車銷售有限責任公司)	**1,160**	–
Others	**2,195**	–

(ii) As at 30 June 2019, a senior management member of the Company who is also a non-controlling shareholder of a subsidiary of the Company provided a guarantee, together with other guarantees, for a bank loan of RMB20,000,000 (30 June 2018: RMB19,995,000) of the subsidiary.

* *For identification purposes only*

20. Related Parties Transactions *(Continued)*

(b) Amounts due from related parties

As at the end of the reporting period, the Group had the following material account receivable balance with its related parties:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Car House Investment Limited	**24,262**	24,262
New Focus Richahaus Co., Ltd.* (新焦點麗車坊股份有限公司)	**12,362**	12,679
Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司)	**442,345**	443,992
Hinggan Lifeng Hengtai Automobile Sales Co., Ltd.* (興安盟利豐恒泰汽車銷售有限責任公司)	**42,389**	42,222
Tongliao Tonghua Investment Co., Ltd* (通遼市通華投資有限責任公司)	**28,923**	49,036
Chifeng Lifeng Automobile Service Co., Ltd.* (赤峰市利豐汽車行有限公司)	**28,817**	44,132
Hulun Buir Vehicle Store Co., Ltd.* (呼倫貝爾市利豐汽車行有限公司)	**21,420**	25,295
Baotou Lifeng Automobile Trading Co., Ltd.* (包頭市利豐汽車貿易服務有限公司)	**19,648**	20,860
Ningbo Shenglan Finance Service Co., Ltd.* (寧波勝藍財務服務有限公司)	**16,503**	4,280
Ningbo Beilun Huidong Business Service Co., Ltd.* (寧波北侖慧東商務服務有限公司)	**11,000**	10,800
Xilinguole Lifeng Vehicle Store Co., Ltd* (錫林郭勒盟利豐汽車行有限公司)	**6,678**	8,581
Inner Mongolia Taida Automobile Service Co., Ltd.* (內蒙古泰達汽車服務有限公司)	**4,535**	154
Ordos Tianyi Automobile Sale Co., Ltd.* (鄂爾多斯市天意汽車銷售有限公司)	**3,382**	3,382
Hohhot Lifeng Vehicle Store Co., Ltd.* (呼和浩特市利豐汽車行有限公司)	**1,396**	1,395
Inner Mongolia Lifeng Wuling Automobile Sales & Service Co., Ltd.* (內蒙古利豐五菱汽車銷售服務有限公司)	**–**	7,898
Others	**2,697**	4,110
	666,357	703,078

* *For identification purposes only*

20. Related Parties Transactions *(Continued)*

(c) Amounts due to related parties

As at the end of the reporting period, the Group had the following material account payable balance with its related parties:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Beijing Yuyang Century Trading Co., Ltd.* (北京宇陽世紀貿易有限公司)	**1,203**	1,211
Inner Mongolia Yusheng Automobile Service Co., Ltd.* (內蒙古鈺盛汽車服務有限公司)	**21,253**	6,389
Inner Mongolia Lifeng Tailai Automobile Service Co., Ltd.* (內蒙古利豐泰萊汽車服務有限公司)	**4,916**	238
Wuhai Lifeng Automobile Sales & Service Co., Ltd.* (烏海市利豐汽車銷售服務有限公司)	**4,891**	583
Ningbo Shenglan Finance Service Co., Ltd.* (寧波勝藍財務服務有限公司)	**4,280**	–
Inner Mongolia Lifeng Automobile Co., Ltd.* (內蒙古利豐汽車有限公司)	**3,365**	3,935
Ningbo Zhongding Trading Co., Ltd.* (寧波中鼎貿易有限公司)	**2,700**	–
Zhejiang Xuntong Lianying Business Service Co., Ltd.* (浙江訊通聯盈商務服務有限責任公司)	**2,000**	–
Inner Mongolia Lifeng Qingyu Automobile Service Co., Ltd.* (內蒙古利豐慶宇汽車服務有限公司)	**1,998**	–
Inner Mongolia Lifeng Wuling Automobile Sales & Service Co., Ltd.* (內蒙古利豐五菱汽車銷售服務有限公司)	**1,489**	1,524
Xilinguole Lifeng Tailai Automobile Service Co., Ltd.* (錫林郭勒盟利豐泰萊汽車服務有限公司)	**1,285**	–
Inner Mongolia Lifeng Taiqi Automobile Service Co., Ltd.* (內蒙古利豐泰奇汽車服務有限公司)	**648**	1,754
Chifeng Lifeng Vehicle Store Co., Ltd.* (赤峰市利豐汽車行有限公司)	**–**	19,514
Tongliao Tonghua Investment Co., Ltd* (通遼市通華投資有限責任公司)	**–**	17,794
Hohhot Lifeng Holding Co., Ltd.* (呼和浩特市利豐實業有限公司)	**–**	1,766
Xilinguole Lifeng Vehicle Store Co., Ltd* (錫林郭勒盟利豐汽車行有限公司)	**–**	1,698
Baotou Lifeng Automobile Trading Co., Ltd.* (包頭市利豐汽車貿易服務有限公司)	**–**	1,024
Others	**8,751**	9,093
	58,779	66,523

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is committed to the construction and development of individual automotive service chain networks, automotive product e-commerce platforms and automotive dealership networks. The retail service stores under the individual automotive service chain networks of the Group, which are primarily urban gas station stores, provide car owners with automotive cleaning, beauty, maintenance, spraying and repair services, as well as the sales of automotive products. The automotive product e-commerce platform of the Group provides customers with purchase, delivery and warehousing services of automotive repair parts and components and automotive products. The manufacturing business of the Group is principally engaged in the research and development, manufacture and sales of electronic and power-related automotive accessories, and such products are mainly sold to the markets of Mainland China, North America and Europe. The automotive dealership and services business of the Group primarily engages in the automotive sales, automotive after-sales service and the distribution of automotive insurance products and automotive financial products in the Inner Mongolia Autonomous Region.

Results Highlights

Revenue

For the six months ended 30 June 2019 (the "**Period**"), the consolidated revenue of the Group was approximately RMB1,191,496,000 (corresponding period of 2018: RMB533,035,000), representing an increase of approximately 123.53%. The increase was mainly due to the revenue of approximately RMB793,556,000 generated during the Period from the automotive dealership and services business acquired by the Group in September 2018 (the "**Automotive Dealership Business Acquisition**"). Excluding the effect of the Automotive Dealership Business Acquisition, the consolidated revenue of the Group would have decreased by approximately RMB135,095,000 or approximately 25.34% as compared with the corresponding period of 2018.

The consolidated revenue of the Group's retail service business was approximately RMB145,771,000 (corresponding period of 2018: RMB164,186,000), representing a decrease of approximately 11.22%, which was mainly due to the product structural adjustments and the elimination of products with low gross profit margin during the Period.

The consolidated revenue of the wholesale service business of the Group was approximately RMB40,061,000 (corresponding period of 2018: RMB140,824,000), representing a decrease of approximately 71.55%. The decrease was primarily due to the business structural adjustments during the Period where the tire sales business (which has high sales revenue but too low contribution margin) was discontinued and the focus had been on expanding the asset-light “Auto Make” e-commerce platform business.

The consolidated revenue of the manufacturing business of the Group was approximately RMB212,108,000 (corresponding period of 2018: RMB228,025,000), representing a decrease of approximately 6.98%, which was mainly attributable to the impact of the Sino-US trade war during the Period, resulting in a decrease in export sales revenue.

The consolidated revenue of the Group’s automotive dealership and services business was approximately RMB793,556,000 (corresponding period of 2018: Nil).

Gross profit and gross profit margin

The consolidated gross profit of the Group during the Period was approximately RMB140,638,000 (corresponding period of 2018: RMB80,107,000), representing an increase of approximately 75.56%. The gross profit margin decreased from 15.03% for the corresponding period of 2018 to 11.80%. The increase in gross profit and the decrease in gross profit margin were mainly attributable to gross profit of approximately RMB68,533,000 generated by the automotive dealership and services business during the Period and the comparatively low gross profit margin of the automotive dealership and services business which is typical of the industry, respectively. Excluding the effect of the Automotive Dealership Business Acquisition, the consolidated gross profit of the Group would have decreased by approximately 9.99% as compared with the corresponding period of 2018, and the gross profit margin would have increased to 18.12%.

The gross profit of the Group’s retail service business was approximately RMB34,380,000 (corresponding period of 2018: RMB24,958,000), representing an increase of approximately 37.75%. The gross profit margin increased from approximately 15.20% for the corresponding period of 2018 to approximately 23.58%. The increase of both gross profit and gross profit margin was mainly due to the adjustment of product structures and the promotion of products and services with high added value during the Period.

The gross profit of the Group's wholesale service business was approximately RMB7,228,000 (corresponding period of 2018: RMB20,513,000), representing a decrease of approximately 64.76%. The gross profit margin increased from approximately 14.57% for the corresponding period of 2018 to approximately 18.04%. The decrease in gross profit was mainly attributable to the decrease in revenue during the Period compared to the corresponding period of last year. The increase in gross profit margin was mainly attributable to the cessation of the tire sales business with too low contribution margin.

The gross profit of the Group's manufacturing business was approximately RMB30,497,000 (corresponding period of 2018: RMB34,838,000), representing a decrease of approximately 12.46%. The gross profit margin decreased from approximately 15.28% for the corresponding period of 2018 to approximately 14.38%. The decrease in both the gross profit and gross profit margin was mainly attributable to the increase in raw materials and labor costs during the Period, the decline in revenue from export sales due to the Sino-US trade war, and the increase in the proportion of sales from the new energy automotive accessory business which has a relatively lower gross profit margin.

The gross profit of the Group's automotive dealership and services business was approximately RMB68,533,000 (corresponding period of 2018: Nil), and the gross profit margin was approximately 8.64%.

Expenses

The distribution costs for the Period were approximately RMB128,286,000 (corresponding period of 2018: RMB70,817,000), representing an increase of approximately 81.15%, which was mainly attributable to the expenses incurred by the Group's automotive dealership and services business of approximately RMB57,668,000 during the Period. Excluding the effect of the Automotive Dealership Business Acquisition, the distribution costs would have decreased by approximately 0.28% as compared with the corresponding period of 2018.

The administrative expenses for the Period were approximately RMB74,147,000 (corresponding period of 2018: RMB63,221,000), representing an increase of approximately 17.28%, which was mainly attributable to the expenses incurred by the Group's automotive dealership and services business of approximately RMB11,675,000 during the Period. Excluding the effect of the Automotive Dealership Business Acquisition, the administrative expenses of the Group would have decreased by approximately 1.18% as compared with the corresponding period of 2018, which was mainly attributable to the reduction on administrative expenses of the Group's retail service business.

Operating loss

The operating loss of the Group during the Period was approximately RMB47,451,000 (corresponding period of 2018: operating profit of RMB75,356,000). The turnaround from operating profit to operating loss was mainly attributable to the decrease in the Group's other revenue and gains and losses of approximately RMB115,102,000 and the increase in the distribution costs and administrative expenses in the aggregate amount of approximately RMB68,395,000, notwithstanding the increase in the consolidated gross profit of approximately RMB60,531,000 during the Period as compared to those in the corresponding period of 2018.

The Group's other revenue and gains and losses during the Period decreased by approximately RMB115,102,000, mainly attributed to the difference in fair value change in the embedded derivative financial instruments in relation to the convertible notes in the principal amount of US$35,000,000 due in 2019 (the "**CCBC Convertible Notes**"), which was issued to High Inspiring Limited (the "**Investor**", an indirect wholly-owned subsidiary of China Construction Bank Corporation) on 1 September 2017, and led to a decrease in other revenue and gains and losses of approximately RMB77,237,000 during the Period as compared to the corresponding period of 2018 (the "**Difference in Fair Value Change in Derivative Financial Instruments**"). In addition, there was a decrease in the Group's interest income of approximately RMB28,033,000 as compared to the corresponding period of 2018 (the "**Difference in Interest Income**"), which was mainly attributable to the fact that in 2018, part of the borrowings provided by the Group had been repaid and part of the borrowings had been set off against the consideration payable by the Group under the Automotive Dealership Business Acquisition.

Finance costs

Finance costs during the Period amounted to approximately RMB31,190,000 (corresponding period of 2018: RMB19,781,000), representing an increase of approximately 57.68%, which was mainly attributable to the finance costs incurred by the Group's automotive dealership and services business of approximately RMB5,756,000 during the Period. Excluding the effect of the Automotive Dealership Business Acquisition, the finance costs would have increased by approximately 28.58% during the Period, which was mainly attributable to the fact that the imputed interest expenses on derivative financial instruments during the Period increased by approximately RMB1,973,000 as compared to the corresponding period of 2018, as well as the recognition of interest on lease liabilities of approximately RMB2,685,000 during the Period due to the Group's initial application of IFRS 16 Lease on 1 January 2019.

Taxation

Income tax during the Period was approximately RMB(6,890,000) (corresponding period of 2018: RMB6,923,000). The decrease in income tax was mainly attributable to the increase in deferred income tax assets during the Period.

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company during the Period was approximately RMB50,722,000 (corresponding period of 2018: earnings of RMB71,754,000). Excluding the Difference in Fair Value Change in Derivative Financial Instruments of RMB77,237,000 and the Difference in Interest Income of RMB28,033,000, the loss attributable to equity shareholders of the Company would have increased by RMB17,206,000 as compared with the corresponding period of 2018. The loss per share during the Period was approximately RMB0.749 cents (corresponding period of 2018: earnings per share of RMB1.445 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 RMB16,522,000 during the Period (corresponding period of 2018: net cash outflow of RMB19,307,000).

The Group's net current assets were approximately RMB449,169,000 as at 30 June 2019 (31 December 2018: net current assets of RMB512,783,000), with a current ratio of 1.33 (31 December 2018: 1.33).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 61.99% as at 30 June 2019 (31 December 2018: 61.66%).

As at 30 June 2019, the total bank and other borrowings of the Group were approximately RMB422,052,000 (31 December 2018: RMB552,309,000), approximately 6.58% of which were made in US Dollar ("**USD**") and approximately 93.42% were made in Renminbi. All of the borrowings are repayable within one year and at fixed interest rates.

The operation and capital expenses of the Group were funded by the cash flow generated from its business, internal liquid funds and the financial agreements entered into with banks. The Group possesses a strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation.

Capital Structure

On 21 August 2017, the Company entered into a convertible note purchase agreement with the Investor, pursuant to which the Company conditionally agreed to issue and the Investor conditionally agreed to purchase the CCBC Convertible Notes. Assuming the full conversion of the CCBC Convertible Notes at the initial conversion price of HK$0.306085 per share, the CCBC Convertible Notes would be convertible into approximately 886,191,744 shares of the Company. The net proceeds from the issue of CCBC Convertible Notes, after deducting all related fees and expenses, were approximately USD34,916,000. The issue of CCBC Convertible Notes was completed on 1 September 2017. Details of the aforementioned transaction were set out in the announcements of the Company dated 21 August 2017 and 8 September 2017.

Upon the receipt of two conversion notices dated 12 September 2017 and 28 September 2017, respectively, from the Investor, each for conversion of part of the CCBC Convertible Notes in the principal amount of USD5,000,000, the Company allotted and issued 126,598,820 conversion shares, respectively, to the Investor at a conversion price of HK$0.306085 per conversion share on 14 September 2017 and 3 October 2017, respectively. In accordance with the relevant terms and conditions of the CCBC Convertible Notes, the conversion price under CCBC Convertible Notes was adjusted from HK$0.306085 per share to HK$0.280511 per share on 19 June 2018. Upon the receipt of the conversion notice dated 31 August 2018 from the Investor, for conversion of part of the CCBC Convertible Notes in the principal amount of USD800,000, the Company allotted and issued 22,102,520 conversion shares to the Investor at a conversion price of HK$0.280511 per conversion share on 4 September 2018. As at 30 June 2019, the aggregate outstanding principal of the CCBC Convertible Notes was USD24,200,000. The Company intends to redeem the outstanding principal of the CCBC Convertible Notes.

Assuming that the outstanding principal of the CCBC Convertible Notes of USD24,200,000 is fully converted at an adjusted conversion price of HK$0.280511 per share, subject to the amendments pursuant to the deed of waiver and amendments dated 25 April 2018 (the "**Amendments**") entered into between the Company, the Investor and CDH Fast Two Limited (further details of which were set out in the announcement of the Company dated 25 April 2018), an additional 454,601,375 shares would be issued to the Investor, which would cause the number of issued shares of the Company to increase to 7,222,237,590 shares from 6,767,636,215 shares. The full conversion, if materialised, would not have any dilutive impact on the loss per share of the Company for the six months ended 30 June 2019.

The shareholding structure of the Company (i) as at 30 June 2019 and (ii) immediately after full conversion of the outstanding principal of the CCBC Convertible Notes of USD24,200,000 at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments, is set out below:

Name of shareholder	**As at 30 June 2019**		**Immediately after full conversion of the outstanding principal of the CCBC Convertible Notes of USD24,200,000 at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments**	
	Number of shares	*Approximate percentage (%)*	*Number of shares*	*Approximate percentage (%)*
CDH Fast Two Limited	2,889,580,226	42.70	2,889,580,226	40.01
High Inspiring Limited	266,900,160	3.94	721,501,535	9.99
Fame Mountain Limited	1,904,761,905	28.15	1,904,761,905	26.37
Other public shareholders	1,706,393,924	25.21	1,706,393,924	23.63
TOTAL ISSUED SHARES *(Note)*	6,767,636,215	100	7,222,237,590	100

Note: The approximate percentage of the issued shares is rounded to the nearest two decimal places and the total percentage of the total issued shares may not add up to 100% due to rounding.

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 risk, 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.

The Group's retail and wholesale service and the automotive dealership and services business mainly took place in Mainland China and approximately 75% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in USD. As such, the Group's cash and cash equivalents and borrowings are mainly denominated in Renminbi and USD.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, the Group's total assets were RMB2,401,210,000 (31 December 2018: RMB2,570,157,000), comprising: (1) share capital of RMB556,286,000 (31 December 2018: RMB556,286,000), (2) reserves of RMB356,337,000 (31 December 2018: RMB429,138,000), and (3) debts of RMB1,488,587,000 (31 December 2018: RMB1,584,733,000).

Financial Guarantees and Pledge of Assets

As at 30 June 2019, the net book values of inventory, investment properties, property, plant and equipment and leasehold land and land use rights pledged as security for the Group's bank borrowings amounted to approximately RMB187,422,000 (31 December 2018: RMB398,065,000).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Significant Investments

The Group had no significant investments during the Period. The Group has no specific plans for material future investments or acquisition of business.

Exchange Risk

The Group's retail and wholesale service and the automotive dealership and services business are mainly conducted in Mainland China and their settlement currency is Renminbi, so there is no exchange risk.

Approximately 75% of the income of the Group's manufacturing business was generated from the export of its products which was settled in USD. The materials used to produce those products were purchased in Renminbi. The depreciation of USD against Renminbi would normally adversely affect the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risk by making USD borrowings to lower exchange risk. As at 30 June 2019, the amount of the Group's USD borrowings was approximately USD4,000,000 (31 December 2018: USD4,000,000).

Contingent Liabilities

As at 30 June 2019, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2019, the Group employed a total of 3,128 full-time employees (30 June 2018: 3,715), of which 504 (30 June 2018: 537) were managerial staff. The Group's remuneration policies are formulated to attract talent and retain quality staff. The remuneration package of each individual employee is determined based on his or her experience and qualifications. The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements share option schemes as a long term incentive scheme of the Group. Details of the share options scheme of the Company will be disclosed in the section headed "Other Information" of the interim report of the Company which will be published in due course. The Group emphasizes the importance of staff development and provides training programs on an ongoing basis with reference to its strategic objectives and performance of its staff.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (corresponding period of 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development and Business Progress

According to the data released by the China Association of Automobile Manufacturers, the sales volume of passenger vehicles in Mainland China was approximately 10.127 million during the Period, representing a decrease of approximately 14% as compared with the corresponding period of 2018, which was lower than the expectation at the beginning of the year.

Automotive Dealership and Services Business of the Group

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

In response to the relatively unfavorable macroeconomic environment and industry conditions, the Group implemented the following operating strategies in the automotive dealership and services business:

Firstly, we cut down part of the brands with low profit margin to optimize the structure of automotive brands under dealership of the Group, so as to focus its resources on automotive brands with better sales performances.

Secondly, we established the position of brand general manager for the management of automobile sales networks on a brand basis, with an aim to enhance the effectiveness of management and resource integration.

Thirdly, we continued to improve the operation method and business model of second-hand automobile business and automotive product business.

It is expected that the automotive dealership industry will continue to be under great pressure in the short run. To improve the operating results, the Group intends to adopt the following operating strategies:

Firstly, we will continue to optimize the structure of automotive brands under dealership of the Group to be in line with the trend of consumption upgrade in automobiles by introducing mid-range automotive brands featuring market potential.

Secondly, in terms of sales, we will strengthen the design of retail products package and the usage of differentiated marketing strategy. For after-sales service, we will enhance the management and development of existing customer resources and refine the management and control of the after-sales business process to improve customer satisfaction.

Thirdly, we will focus on quality management and optimize the responsibility system of operation targets in each of the automotive dealership networks and organize the operation and management processes in an all-rounded manner, with an aim of enhancing the operating efficiency.

Individual Automobile After-sales Service and Automotive Products Wholesale Business of the Group

In respect of expansion of individual automobile service chain networks, as well as the establishment and expansion of e-commerce platforms for automotive products, the operating strategies implemented by the Group during the Period mainly included:

Firstly, the automobile integrated service chain business focused its resources on gas station stores. Pursuant to the strategic cooperation agreement with Hubei branch of Sinopec Chemical Products Sales Company ("**Sinopec**"), the Group and Sinopec Hubei branch jointly operated automobile retail service stores in the gas stations within the network of Sinopec Hubei branch and maintained a leading position in terms of market share and brand awareness in the automobile after-sales market in Central China region. The Group also joined hands with Sinopec Tianjin branch, Sinopec Jiangxi branch, Sinopec Anhui branch, Sinopec Guangdong branch, Sinopec Hunan branch, Gansu marketing branch of PetroChina Company Limited ("**PetroChina**"), Beijing marketing branch of PetroChina, Chongqing marketing branch of PetroChina and Sichuan marketing branch of PetroChina for operating certain service stores.

Secondly, we continued to improve the e-commerce platform "Auto Make" and attracted new customers from the platform. Targeting small retail service stores, the e-commerce platform provides customers with repair and maintenance parts and accessories, and the purchase, delivery and warehouse storage services of automotive products. At the same time, it also attracts relevant manufacturers and large-scale wholesalers to set up stores on the "Auto Make" platform for its services of sales, collection of payment and delivery. Through these functions, the Group has set up an e-commerce platform combining self-operation and third-party sales for the wholesale business of automotive products.

Manufacturing Business of the Group

The foreign trade business classified existing markets and customers, optimized the current customer base and successfully launched a series of new products to the market. However, heavily influenced by the increase in import tariffs by the United States of America, the orders and gross profit fell short of expectation. For domestic trade business, product structure has been further adjusted, which expanded the proportion of its own brand business, and the pre-installation automaker market business has made steady progress.

The Group's manufacturing business will improve the overall profitability by enhancing the market share and cost competitiveness of core products through streamlining the personnel structure and enhancing efficiency, integration of research and development resources, establishing the product manager system and making further systematic review of the product structure. For the pre-installation market, we will continue with our effort to develop first-tier automaker business and increase the numbers of specified customers.

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

As of 30 June 2019, to the best knowledge of the directors (the "**Directors**") and chief executives of the Company, 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 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 and chief executives of the Company are aware, as at 30 June 2019, 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:

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
CDH Fast Two Limited *(Note 2)*	Beneficial owner	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
CDH Fast One Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
CDH Fund IV, L.P. *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
CDH IV Holdings Company Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
China Diamond Holdings IV, L.P. *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
China Diamond Holdings Company Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
High Inspiring Limited	Person having a security interest in shares *(Note 4)*	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
	Beneficial owner *(Note 5)*	266,900,160 (L)	454,601,375 (L)	721,501,535 (L)	10.66%
CCBI Investments Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
	Interest in a controlled corporation	266,900,160 (L)	454,601,375 (L)	721,501,535 (L)	10.66%

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
CCB International (Holdings) Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
	Interest in a controlled corporation	266,900,160 (L)	454,601,375 (L)	721,501,535 (L)	10.66%
CCB Financial Holdings Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
	Interest in a controlled corporation	266,900,160 (L)	454,601,375 (L)	721,501,535 (L)	10.66%
CCB International Group Holdings Limited *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
	Interest in a controlled corporation	266,900,160 (L)	454,601,375 (L)	721,501,535 (L)	10.66%
China Construction Bank Corporation *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
	Interest in a controlled corporation	266,900,160 (L)	454,601,375 (L)	721,501,535 (L)	10.66%

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares *(Note 1)*	Approximate percentage of issued shares
Central Huijin Investment Ltd. *(Note 6)*	Person having a security interest in shares	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
	Interest in a controlled corporation	266,900,160 (L)	454,601,375 (L)	721,501,535 (L)	10.66%
Fame Mountain Limited *(Note 7)*	Beneficial owner	1,904,761,905 (L)	–	1,904,761,905 (L)	28.15%
Mo Keung *(Note 8)*	Interest in a controlled corporation	1,904,761,905 (L)	–	1,904,761,905 (L)	28.15%

Notes:

1. The letter "L" denotes a long position in the shares.

2. CDH Fast Two Limited entered into an investment agreement (the "**Investment Agreement**") with the Company on 25 June 2013 pursuant to which CDH Fast Two Limited agreed to subscribe for 1,262,564,333 new shares and convertible bonds (the "**Convertible Bonds**") in principal amount of US$48,685,000 issued by the Company. Transactions contemplated under the Investment Agreement were completed on 28 August 2013. On 12 June 2014, pursuant to a partial conversion of the Convertible Bonds in the principal amount of US$24,342,500, the Company allotted and issued a total of 813,507,946 shares to CDH Fast Two Limited at the conversion price of HK$0.2328 per share. On 28 December 2015, pursuant to the full conversion of the remaining Convertible Bonds, the Company allotted and issued 813,507,947 shares at the conversion price of HK$0.2328 per share to CDH Fast Two Limited.

3. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); CDH Fund IV, L.P. (as the sole shareholder of CDH Fast One 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 Company under the SFO.

4. As disclosed in the announcement of the Company dated 21 August 2017, the Company entered into a convertible note purchase agreement (the "**Convertible Note Purchase Agreement**") with High Inspiring Limited, pursuant to which the Company has conditionally agreed to issue and High Inspiring Limited has conditionally agreed to purchase the convertible notes in an aggregate principal amount of US$35,000,000 due in 2019 (the "**CCBC Convertible Notes**"). As a condition of the Convertible Note Purchase Agreement, CDH Fast Two Limited entered into a share charge with High Inspiring Limited pursuant to which CDH Fast Two Limited, being the controlling shareholder of the Company, charged 2,889,580,226 shares held by it to High Inspiring Limited.

   According to the terms of the CCBC Convertible Notes, unless waived by High Inspiring Limited, the Company may be required to redeem the whole or part of the outstanding principal amount of the CCBC Convertible Notes at the redemption amount as stated in the CCBC Convertible Notes in the event that CDH Fast Two Limited fails to maintain the power to control the composition of, or to appoint or remove, a majority of the directors of the Company or to remain the largest shareholder of the Company during the term of the CCBC Convertible Notes which will mature on 1 September 2019. As at 30 June 2019, the outstanding principal amount of the CCBC Convertible Notes was US$24,200,000. The Company intends to redeem the outstanding principal amount of CCBC Convertible Notes.

5. Pursuant to the Convertible Note Purchase Agreement, the CCBC Convertible Notes are convertible at the initial conversion price of HK$0.306085 per share (subject to adjustment) and will be convertible into approximately 886,191,744 shares upon its full conversion. Pursuant to the partial conversion of the CCBC Convertible Notes in an aggregate principal amount of US$10,000,000 at the conversion price of HK$0.306085 per share, the Company allotted and issued a total of 253,197,640 shares, of which 8,400,000 shares were subsequently disposed of by High Inspiring Limited.

   The Company, High Inspiring Limited and CDH Fast Two Limited entered into a deed of waiver and amendments dated 25 April 2018 (the "**Amendments**") to amend the terms and conditions in relation to the CCBC Convertible Notes.

   Upon completion of the Subscription as stated on note 7, the conversion price under the CCBC Convertible Notes has been adjusted from HK$0.306085 per share to HK$0.280511 per share.

   Upon the receipt of the conversion notice dated 31 August 2018 from the Investor, for conversion of part of the CCBC Convertible Notes in the principal amount of US$800,000, the Company allotted and issued 22,102,520 conversion shares to the High Inspiring Limited at the conversion price of HK$0.280511 per conversion share on 04 September 2018.

   Assuming that the remaining amount of the CCBC Convertible Notes will be fully converted at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments, an additional 454,601,375 shares will be issued to High Inspiring Limited.

6. Each of CCBI Investments Limited (as the sole shareholder of High Inspiring Limited); CCB International (Holdings) Limited (as the sole shareholder of CCBI Investments Limited); CCB Financial Holdings Limited (as the sole shareholder of CCB International (Holdings) Limited); CCB International Group Holdings Limited (as the sole shareholder of CCB Financial Holdings Limited); China Construction Bank Corporation (as the sole shareholder of CCB International Group Holdings Limited); and Central Huijin Investment Ltd. (as the controlling shareholder of China Construction Bank Corporation) is deemed to be indirectly interested in the Company under the SFO.

7. Fame Mountain Limited entered into a subscription agreement with the Company on 21 December 2017, as amended and supplemented by the supplemental agreement dated 25 April 2018 (the "**Subscription Agreement**"), pursuant to which the Company conditionally agreed to allot and issue, and Fame Mountain Limited agreed to subscribe for an aggregate of 1,904,761,905 subscription shares at the subscription price of HK$0.42 per subscription share (the "**Subscription**"). Completion of the Subscription (the "**Completion**") took place on 19 June 2018. Upon Completion, an aggregate of 1,904,761,905 subscription shares have been duly allotted and issued to Fame Mountain Limited at the subscription price of HK$0.42 per subscription share.

8. Mo Keung (as the sole director and sole shareholder of Fame Mountain Limited) is deemed to be indirectly interested in the Company under the SFO.

Save as disclosed above, the Directors are not aware of any person, other than the Directors or chief executives of the Company, 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 2019.

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 contributed 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 principle terms of the Scheme was included in the circular dispatched to the shareholders on 30 April 2014.

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 2019, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 69,782,052 shares. The total number of shares available for issue under the Scheme (excluding share options already granted) is 293,433,258, representing approximately 4.34% of the total issued share capital of the Company as at that date.

As of 30 June 2019, details of the share options granted under the Scheme are as follows:

Name of option holder	Date of grant	Exercise period	Exercise price (per share)	Closing price on date of grant (per share)	Number of underlying shares subject to outstanding options as at 1 January 2019	Number of underlying shares subject to options granted since 1 January 2019	Number of underlying shares subject to options exercised/ lapsed/ cancelled since 1 January 2019	Number of underlying shares subject to outstanding options as at 30 June 2019
Mr. Lin Ming *(Note 1)*	14 October 2014	15 October 2014 to 14 October 2019	HK$0.50	HK$0.50	16,666,668	–	16,666,668	–
Ms. Hung Ying-Lien *(Note 2)*	14 October 2014	15 October 2014 to 14 October 2019	HK$0.50	HK$0.50	11,959,435	–	–	11,959,435
Continuous contractual employees (in aggregate)	14 October 2014	15 October 2014 to 14 October 2019	HK$0.50	HK$0.50	60,033,617	–	2,211,000	57,822,617
Total					88,659,720	–	18,877,668 *(Note 3)*	69,782,052

Notes:

1. Mr. Lin Ming resigned as the chief executive officer of the company with effect from 31 May 2019.

2. Ms. Hung Ying-Lien resigned as an executive Director and the chief financial officer of the Company with effect from 28 August 2013 and was appointed as vice president and chief operating officer of the Company.

3. All 18,877,668 share options lapsed during the period from 1 January 2019 to 30 June 2019.

OTHER INFORMATION

Arrangements to Purchase Shares or Debentures

Save as disclosed under the section headed "Share Option Scheme", at no time during the Period were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries were a party that would enable the Directors to acquire such rights in any other body corporate.

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.

Changes in Information of Directors and Chief Executives Officer of the Company

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors and chief executives officer of the Company subsequent to the date of the 2018 Annual Report are set out below:

Name	Details of Changes
Mr. Lin Ming	– Resigned as the chief executive officer of the company with effect from 31 May 2019.
Mr. Tong Fei	– Appointed as an executive Director and an authorized representative of the Company under Rule 3.05 of the Listing Rules, with effect from 1 July 2019.
Mr. Zhang Jianxing	– Appointed as the acting chairman of the Board, a member of the remuneration committee of the Company and the chairman of the nomination committee of the Company, with effect from 1 July 2019.
Mr. Du Jinglei	– Resigned as the chairman of the Board, an executive Director, a member of the remuneration committee of the Company, the chairman of the nomination committee of the Company and an authorized representative of the Company under Rule 3.05 of the Listing Rules, with effect from 1 July 2019.

Name	Details of Changes
Mr. Wang Zhenyu	– Entered into a service agreement with the Company, upon expiry of the term of the original service agreement, for a term of three years which will commence from 28 August 2019, subject to retirement by rotation in accordance with the articles of association of the Company (the "**Articles**"). Pursuant to the service agreement, Mr. Wang Zhenyu is not currently entitled to any remuneration from the Company. In addition, Mr. Wang Zhenyu is entitled to a discretionary bonus payable at or before the year end at the discretion of the Board.
Mr. Hu Yuming	– Entered into a letter of appointment with the Company, upon expiry of the term of the original letter of appointment, for a term of three years which will commence from 28 August 2019, subject to retirement by rotation in accordance with the Articles. Pursuant to the letter of appointment, Mr. Hu Yuming is currently entitled to an annual fee of RMB100,000 which is subject to annual review by the Board and is determined on the basis of his role in the Group, responsibilities and experience and the prevailing market rates.
Mr. Lin Lei	– Entered into a letter of appointment with the Company, upon expiry of the term of the original letter of appointment, for a term of three years which will commence from 28 August 2019, subject to retirement by rotation in accordance with the Articles. Pursuant to the letter of appointment, Mr. Lin Lei is currently entitled to an annual fee of RMB100,000 which is subject to annual review by the Board and is determined on the basis of his role in the Group, responsibilities and experience and the prevailing market rates.

OTHER INFORMATION

Corporate Governance

In the opinion of the Directors, the Company complied with the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 of the Listing Rules during the Period.

As at the date of this interim report, the Company had four Board committees. The information of the members of these committees is set out below:

1. Audit Committee:

   Mr. Hu Yuming *(Chairman)*, Mr. Lin Lei and Mr. Wang Zhenyu

2. Remuneration Committee:

   Mr. Hu Yuming *(Chairman)*, Mr. Zhang Xiaoya and Mr. Zhang Jianxing

3. Nomination Committee:

   Mr. Zhang Jianxing *(Chairman)*, Mr. Lin Lei and Mr. Zhang Xiaoya

4. Strategy Committee:

   Mr. Lin Lei *(Chairman)*, Mr. Zhang Xiaoya and Mr. Wang Zhenyu

Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors or relevant employees as defined in the Model Code. 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 six months ended 30 June 2019.

OTHER INFORMATION

Audit Committee

As at the date of this interim report, the Audit Committee comprised Mr. Hu Yuming, Mr. Lin Lei and Mr. Wang Zhenyu. Mr. Hu Yuming and Mr. Lin Lei are independent non-executive Directors, and Mr. Wang Zhenyu is a non-executive Director. Mr. Hu Yuming is the chairman of the Audit Committee.

The Audit Committee has reviewed with management the accounting standards and practice guidelines adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019. 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, 16 August 2019