

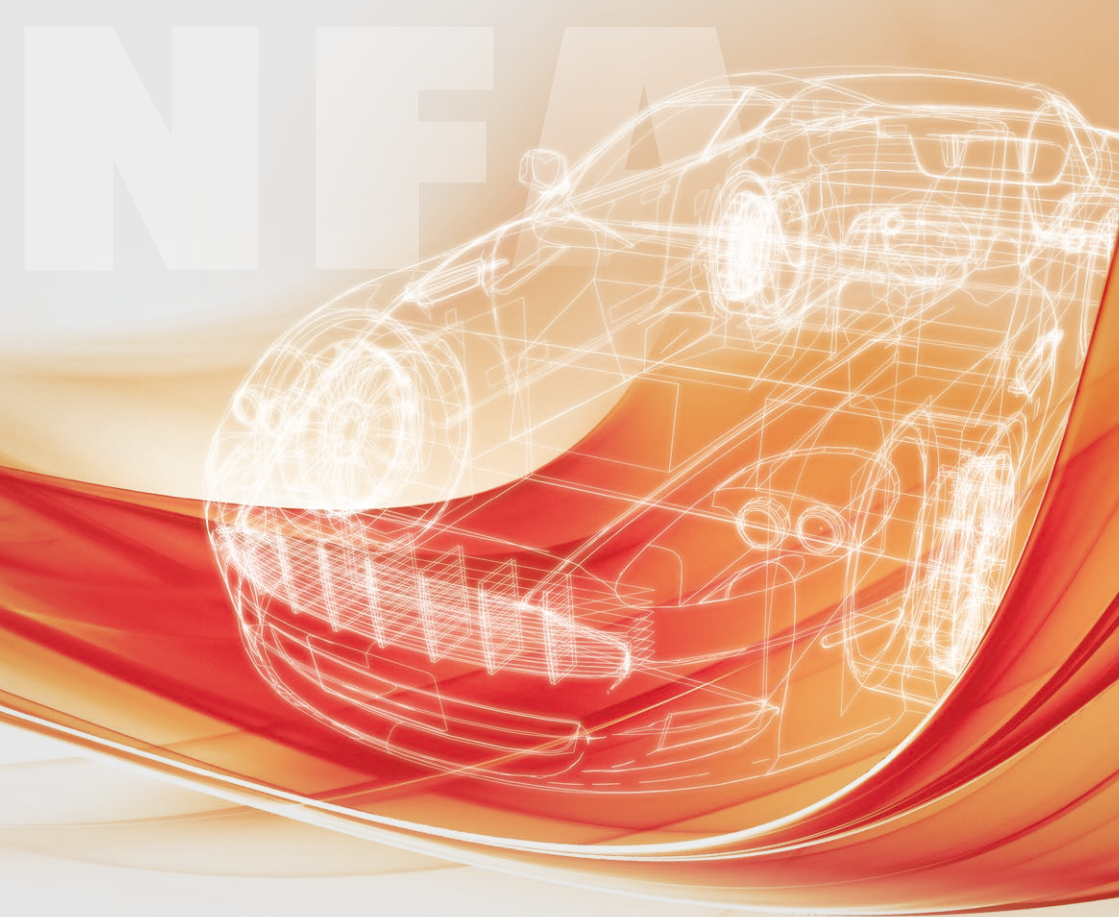


# 新焦點汽車技術控股有限公司\*

## New Focus Auto Tech Holdings Limited

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

### INTERIM REPORT 2020



\* For identification purpose only

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# CORPORATE INFORMATION

## **Directors**

### **Executive Director**

Tong Fei

### **Non-executive Directors**

Wang Zhenyu

Zhang Jianxing (*Acting Chairman*)

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

Hu Yuming

Lin Lei

Zhang Xiaoya

### **Company Secretary**

Liu Xiao Hua

### **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**

Paul Hastings

21-22/F, Bank of China Tower

1 Garden Road

Hong Kong

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

Suntera (Cayman) Limited (*Formerly known as:  
SMP Partners (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**

Computershare Hong Kong

Investor Services Limited

17M/F, Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

### **Stock Code**

360

### **Websites**

<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 2020

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
<b>Continuing operations:</b>			
<b>Revenue</b>	4	<b>379,321</b>	1,045,725
Cost of sales and services		<b>(350,047)</b>	(939,467)
<b>Gross profit</b>		<b>29,274</b>	106,258
Other revenue and gains and losses	5	<b>14,902</b>	14,277
Distribution costs		<b>(45,128)</b>	(89,307)
Administrative expenses		<b>(39,967)</b>	(52,036)
Impairment loss on trade and other receivables, net		<b>(352,395)</b>	(1,070)
Finance costs	6	<b>(21,133)</b>	(27,734)
<b>Loss before taxation for continuing operations</b>		<b>(414,447)</b>	(49,612)
Income tax	7	<b>2,006</b>	8,056
<b>Loss for the period for continuing operations</b>		<b>(412,441)</b>	(41,556)
<b>Discontinued operations:</b>			
Loss for the period for discontinued operations, net of income tax		-	(30,195)
<b>Loss for the period</b>		<b>(412,441)</b>	(71,751)

# INTERIM FINANCIAL REPORT

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

(Continued)

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
<b>Other comprehensive loss</b>	8		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1,976)	(1,048)
Item that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		(24,994)	–
<b>Other comprehensive loss for the period, net of tax</b>		<b>(26,970)</b>	(1,048)
<b>Total comprehensive loss for the period</b>		<b>(439,411)</b>	(72,799)
<b>Loss for the period attributable to</b>			
Equity shareholders of the Company			
– from continuing operations		(406,787)	(37,600)
– from discontinued operations		–	(13,122)
		<b>(406,787)</b>	(50,722)
Non-controlling interests			
– from continuing operations		(5,654)	(3,956)
– from discontinued operations		–	(17,073)
		<b>(5,654)</b>	(21,029)
		<b>(412,441)</b>	(71,751)

# INTERIM FINANCIAL REPORT

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

(Continued)

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
<b>Total comprehensive loss attributable to</b>			
Equity shareholders of the Company			
– from continuing operations		<b>(433,757)</b>	(38,648)
– from discontinued operations		–	(13,122)
		<b>(433,757)</b>	(51,770)
Non-controlling interests			
– from continuing operations		<b>(5,654)</b>	(3,956)
– from discontinued operations		–	(17,073)
		<b>(5,654)</b>	(21,029)
		<b>(439,411)</b>	(72,799)
<b>Loss per share</b>	9		
Basic and diluted (RMB cents)			
– from continuing operations		<b>(6.011)</b>	(0.556)
– from discontinued operations		–	(0.193)
		<b>(6.011)</b>	(0.749)

# INTERIM FINANCIAL REPORT

## Unaudited Consolidated Statement of Financial Position

As at 30 June 2020

(Expressed in Renminbi)

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	93,903	104,762
Right-of-use assets	11	124,482	130,262
Investment properties	11	48,639	48,639
Other intangible assets	11	2,663	2,663
Financial assets at fair value through other comprehensive income		11,222	36,216
Deferred tax assets		44,695	42,866
		<b>325,604</b>	365,408
<b>Current assets</b>			
Inventories	12	142,926	202,808
Tax recoverable		1,490	1,479
Trade receivables	13	138,099	146,541
Deposits, prepayments and other receivables		691,756	1,119,238
Amounts due from related parties		-	37,060
Cash and cash equivalents		60,880	64,697
		<b>1,035,151</b>	1,571,823
<b>Current liabilities</b>			
Bank and other borrowings, secured	14	314,730	489,982
Trade payables	15	252,113	238,927
Contract liabilities		67,959	82,016
Accruals and other payables		169,991	181,787
Lease liabilities		12,025	12,329
Tax payable		3,991	4,106
		<b>820,809</b>	1,009,147

# INTERIM FINANCIAL REPORT

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

As at 30 June 2020

(Expressed in Renminbi)

	Note	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Net current assets</b>		<b>214,342</b>	562,676
<b>Total assets less current liabilities</b>		<b>539,946</b>	928,084
<b>Non-current liabilities</b>			
Other borrowings		<b>55,189</b>	–
Lease liabilities		<b>101,725</b>	105,630
Deferred tax liabilities		<b>10,844</b>	10,855
		<b>167,758</b>	116,485
<b>NET ASSETS</b>		<b>372,188</b>	811,599
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>556,286</b>	556,286
Reserves	17	<b>(194,146)</b>	239,611
Total equity attributable to equity shareholders of the Company		<b>362,140</b>	795,897
Non-controlling interests		<b>10,048</b>	15,702
<b>TOTAL EQUITY</b>		<b>372,188</b>	811,599



# INTERIM FINANCIAL REPORT

## **Unaudited Condensed Consolidated Statement of Changes in Equity**

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Share capital RMB'000	Share premium and other reserves RMB'000	Accumulated losses RMB'000	Attributable to equity shareholders of the Company RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
		(Note 17)				
<b>Balance at 1 January 2020</b>	556,286	1,583,782	(1,344,171)	795,897	15,702	811,599
Loss for the period	-	-	(406,787)	(406,787)	(5,654)	(412,441)
Other comprehensive loss for the period	-	(26,970)	-	(26,970)	-	(26,970)
Total comprehensive loss for the period	-	(26,970)	(406,787)	(433,757)	(5,654)	(439,411)
<b>Balance at 30 June 2020</b>	556,286	1,556,812	(1,750,958)	362,140	10,048	372,188

# INTERIM FINANCIAL REPORT

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

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Share capital RMB'000	Share premium and other reserves RMB'000 (Note 17)	Accumulated losses RMB'000	Attributable to equity shareholders of the Company RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
<b>Balance at 1 January 2019</b>	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)
<b>Balance at 30 June 2019</b>	556,286	1,611,570	(1,220,178)	947,678	(35,055)	912,623

# INTERIM FINANCIAL REPORT

## Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Operating activities</b>		
Cash generated from operations	<b>32,277</b>	23,791
Income tax paid	<b>(668)</b>	(7,269)
<b>Net cash generated from operating activities</b>	<b>31,609</b>	16,522
<b>Investing activities</b>		
Net cash flows for disposal of a subsidiary	<b>(561)</b>	–
Purchase of property, plant and equipment	<b>(740)</b>	(14,043)
Loans repaid by third parties	<b>15,500</b>	128,670
Loans to third parties	<b>–</b>	(128,385)
Other cash flows arising from investing activities	<b>150</b>	7,880
<b>Net cash generated from/(used in) investing activities</b>	<b>14,349</b>	(5,878)
<b>Financing activities</b>		
Net decrease in bank and other borrowings, secured	<b>(34,000)</b>	(11,728)
Repayment of lease liabilities	<b>(6,198)</b>	(10,977)
Other cash flows arising from financing activities	<b>(9,577)</b>	(18,968)
<b>Net cash used in from financing activities</b>	<b>(49,775)</b>	(41,673)
<b>Net decrease in cash and cash equivalents</b>	<b>(3,817)</b>	(31,029)
<b>Cash and cash equivalents, beginning of period</b>	<b>64,697</b>	134,460
<b>Cash and cash equivalents, end of period</b>	<b>60,880</b>	103,431

# 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”).

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and trading of automobile accessories and operating the 4S dealership stores and related business. The Company and its subsidiaries are collectively referred to as the Group.

The directors of the Company (the “Directors”) regard CDH Fast Two Limited, a company incorporated in the British Virgin Islands (the “BVI”) as the immediate holding company, and China Diamond Holdings Company Limited, a company incorporated in the BVI as the ultimate holding company.

### **2. Basis of Preparation**

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 31 August 2020.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 2019 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 2019 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 May 2020.

# 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 supplied and services provided to customers and is analysed as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
Continuing operations:		
Recognised at a point in time:		
Sale of goods	353,816	979,023
Service income	25,505	66,702
	<b>379,321</b>	1,045,725

#### (a) Reportable segments

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

##### *Continuing operations*

The Group operates in three reportable segments: (i) the manufacture and sale of automobile accessories (the "Manufacturing Business"); (ii) trading of automobile accessories (the "Wholesale Business"); and (iii) operating the 4S dealership stores and related business (the "Automobile Dealership and Services Business").

As at 31 December 2019, the segment of provision of automobile repair, maintenance and restyling service (the "Retail Service Business") was discontinued.

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

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

# INTERIM FINANCIAL REPORT

## 4. Revenue and Segment Information (Continued)

### (a) Reportable segments (Continued)

	Continuing Operations				Discontinued Operations The Retail Service Business (Restated) (Unaudited) RMB'000	Total (Restated) (Unaudited) RMB'000
	The Manufacturing Business (Restated) (Unaudited) RMB'000	The Wholesale Business (Restated) (Unaudited) RMB'000	The Automobile Dealership and Services Business (Restated) (Unaudited) RMB'000	Sub-total (Restated) (Unaudited) RMB'000		
Revenue						
External revenue	212,108	40,061	793,556	1,045,725	145,771	1,191,496
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	212,108	40,061	793,556	1,045,725	145,771	1,191,496
Less: inter-segment revenue				-		-
Total revenue				1,045,725		1,191,496
Reportable segment results	(13,945)	(7,916)	(8,933)	(30,794)	(29,029)	(59,823)
Interest income	56	25	192	273	72	345
Unallocated interest income				12		12
Total interest income				285		357
Interest expenses	(557)	(59)	(6,090)	(6,706)	(3,456)	(10,162)
Unallocated interest expenses				(21,028)		(21,028)
Total interest expenses				(27,734)		(31,190)
Depreciation and amortisation charges	(7,408)	(1,341)	(4,971)	(13,720)	(29,454)	(43,174)
Unallocated depreciation and amortisation charges				(1,349)		(1,349)
Total depreciation and amortisation charges				(15,069)		(44,523)

# 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
Continuing operations:		
<b>Loss before tax</b>		
Reportable segment loss	(358,392)	(30,794)
Unallocated other revenue and gains and losses	3,057	12,101
Unallocated corporate expenses	(45,721)	(9,891)
Unallocated finance costs	(13,391)	(21,028)
Consolidated loss before taxation	(414,447)	(49,612)

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
	<b>Assets</b>	
Reportable segment assets	1,008,955	1,527,820
Unallocated corporate assets	351,800	409,411
Consolidated total assets	1,360,755	1,937,231
<b>Liabilities</b>		
Reportable segment liabilities	829,192	938,040
Unallocated corporate liabilities	159,375	187,592
Consolidated total liabilities	988,567	1,125,632



# 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, right-of-use assets and other intangible assets ("specified non-current assets"):

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
PRC (Place of domicile)	<b>236,063</b>	885,224	<b>269,687</b>	286,326
America	<b>119,110</b>	132,366	-	-
Europe	<b>6,597</b>	6,923	-	-
Asia Pacific	<b>17,551</b>	21,212	-	-
	<b>379,321</b>	1,045,725	<b>269,687</b>	286,326

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

### (d) **Major customers**

During the six months ended 30 June 2020, the Group's customer base was diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue.

# INTERIM FINANCIAL REPORT

## 5. Other Revenue and Gains and Losses

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
Continuing operations:		
Fair value change of conversion option	-	12,150
Reversal of financial guarantee provision	10,171	-
Interest income	501	285
Exchange gain/(loss), net	2,817	(1,579)
Others	1,413	3,421
	<b>14,902</b>	14,277

## 6. Finance Costs

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
Continuing operations:		
Interests on bank borrowings		
– wholly repayable within five years	18,548	9,593
Imputed interest on convertible bonds	-	17,927
Interest from lease liabilities	2,585	214
	<b>21,133</b>	27,734

# INTERIM FINANCIAL REPORT

## 7. Income Tax

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
Continuing operations:		
Current tax	2,051	4,444
Deferred tax	(4,057)	(12,500)
	<b>(2,006)</b>	<b>(8,056)</b>

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 2020 (30 June 2019: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

## 8. Other Comprehensive Loss

For the six months ended 30 June 2020	Before tax amount RMB'000 (Unaudited)	Tax expense RMB'000 (Unaudited)	Net of Tax amount RMB'000 (Unaudited)
Exchange reserve			
Exchange differences on translating foreign operations	(1,976)	-	(1,976)
Other reserve			
Financial assets at fair value through other comprehensive income: net movement in the fair value reserve	(24,994)	-	(24,994)
	<b>(26,970)</b>	<b>-</b>	<b>(26,970)</b>

For the six months ended 30 June 2019	Before tax amount RMB'000 (Restated) (Unaudited)	Tax expense RMB'000 (Restated) (Unaudited)	Net of Tax amount RMB'000 (Restated) (Unaudited)
Exchange reserve			
Exchange differences on translating foreign operations	(1,048)	-	(1,976)
	<b>(1,048)</b>	<b>-</b>	<b>(1,976)</b>

# INTERIM FINANCIAL REPORT

## 9. Loss Per Share

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited)
Loss for the period attributable to the equity shareholders of the Company, used in the basic and diluted loss per share calculations		
– from continuing operations	(406,787)	(37,600)
– from discontinued operations	–	(13,122)
	<b>(406,787)</b>	<b>(50,722)</b>
<b>Shares</b>		
Weighted average number of ordinary shares for the basic loss per share calculation	<b>6,767,636,215</b>	6,767,636,215
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	<b>6,767,636,215</b>	6,767,636,215

# The computation of diluted loss per share for the six months ended 30 June 2019 does not assume the conversion of the Company's outstanding share options since the impact of those share options on basic loss 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.

\* No adjustment is made to the diluted loss per share for the six months ended 30 June 2020 as there were no potential dilutive shares in issue.

# INTERIM FINANCIAL REPORT

## 10. Dividend

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: 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
Beginning net carrying amount as at 1 January 2020	104,762	130,262	-	48,639	-	2,663
Additions	1,743	254	-	-	-	-
Disposals	(666)	-	-	-	-	-
Depreciation charge for the period	(11,726)	(5,284)	-	-	-	-
Disposal of a subsidiary	(210)	(750)	-	-	-	-
Ending net carrying amount as at 30 June 2020	93,903	124,482	-	48,639	-	2,663

# INTERIM FINANCIAL REPORT

## 11. Capital Expenditure (Continued)

	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

## 12. Inventories

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Raw materials	<b>38,992</b>	30,078
Work in progress	<b>21,820</b>	18,448
Finished goods	<b>25,056</b>	52,645
Merchandise goods	<b>57,058</b>	101,637
	<b>142,926</b>	202,808

# INTERIM FINANCIAL REPORT

## 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:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Current to 30 days	<b>43,826</b>	52,102
31 to 60 days	<b>29,093</b>	33,439
61 to 90 days	<b>22,196</b>	12,278
Over 90 days	<b>44,687</b>	50,113
	<b>139,802</b>	147,932
Less: allowance for credit losses	<b>(1,703)</b>	(1,391)
	<b>138,099</b>	146,541

## 14. Bank and Other Borrowings, secured

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Bank loans	<b>155,883</b>	155,971
Other borrowings	<b>214,036</b>	334,011
Bank and other borrowings are repayable as follows:		
On demand or within one year	<b>314,730</b>	489,982
After one year but within two years	<b>55,189</b>	–
	<b>369,919</b>	489,982

# INTERIM FINANCIAL REPORT

## 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>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Current to 30 days	<b>89,391</b>	135,245
31 to 60 days	<b>38,769</b>	18,268
61 to 90 days	<b>9,710</b>	13,474
Over 90 days	<b>114,243</b>	71,940
	<b>252,113</b>	238,927

## 16. Share Capital

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>	<b>Amount RMB'000</b>
Balance at 31 December 2019	<b>6,767,636</b>	<b>676,763</b>	<b>556,286</b>
Balance at 30 June 2020	<b>6,767,636</b>	<b>676,763</b>	<b>556,286</b>



# INTERIM FINANCIAL REPORT

## 17. 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 2020	1,482,219	58,879	4,641	2,756	46,041	1,545	(12,299)	1,583,782
Other comprehensive loss for the period	-	-	-	-	(24,994)	-	(1,976)	(26,970)
Balance at 30 June 2020	1,482,219	58,879	4,641	2,756	21,047	1,545	(14,275)	1,556,812

	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 as at 1 January 2019	1,482,219	61,750	4,643	2,756	70,585	1,545	(7,872)	1,615,626
Other comprehensive income 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)

## 18. Capital Commitments

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Authorised but not contracted for	15,568	16,308

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Overview**

The Group is committed to the research and development, manufacturing and sales of automotive electronic products, as well as construction and development of automotive product e-commerce platforms and automobile dealership networks. The manufacturing business of the Group is principally engaged in the research and development, manufacturing and sales of electronic and electronic power-related automotive accessories, which are mainly sold to the markets in Mainland China, North America and Europe. The automotive product e-commerce platform of the Group provides customers with the purchase, delivery and warehousing services of automotive repair parts and components and automotive products. The Group's automobile dealership and services business is operated mainly in the Inner Mongolia Autonomous Region for automobile sales, automotive after-sales service, as well as the distribution of car insurance products and automobile financial products.

## **Results Highlights**

### **Revenue**

For the six months ended 30 June 2020 (the "Period"), the consolidated revenue of the Group was approximately RMB379,321,000 (consolidated revenue from continuing operations for the corresponding period of 2019: RMB1,045,725,000), representing a decrease of approximately 63.73%, which was primarily due to the impact of the COVID-19 pandemic on the Group, leading to the significant decrease in the revenue from the wholesale service business and the automobile dealership and services business of the Group for the Period as compared to the corresponding period of last year.

The consolidated revenue of the wholesale service business of the Group was approximately RMB11,781,000 (corresponding period of 2019: RMB40,061,000), representing a decrease of approximately 70.59%, which was primarily due to the impact of the COVID-19 pandemic leading to the decrease in sales of various products.

The consolidated revenue of the manufacturing business of the Group was approximately RMB195,373,000 (corresponding period of 2019: RMB212,108,000), representing a decrease of approximately 7.89%, which was mainly attributable to the global spread of the COVID-19 pandemic and the continuing Sino-US trade war that led to a decrease in export sales revenue for the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated revenue of the Group's automobile dealership and services business was approximately RMB172,167,000 (corresponding period of 2019: RMB793,556,000), representing a decrease of approximately 78.30%. Such decrease was mainly attributable to two reasons: firstly, the operations of dealer shops were suspended for a long time during the Period under the impact of the pandemic; and secondly, local banks in Inner Mongolia tightened the standards for credit approval in response to local economic downturn, and vigorously required enterprises with operations in Inner Mongolia to repay their loans. As a result of the abovementioned change in bank policy, the Group's automobile dealership and services business faced enormous pressure in relation to cash flow. Therefore, the Group decided to temporarily scale down. Certain dealer shops were closed while some shops only maintained after-sales services, which led to the withdrawal of the authorized dealership of some automotive brands.

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

The consolidated gross profit of the Group for the Period was approximately RMB29,274,000 (consolidated gross profit from continuing operations for the corresponding period of 2019: RMB106,258,000), representing a decrease of approximately 72.45%; gross profit margin decreased from 10.16% for the corresponding period of 2019 to 7.72%. The decrease in gross profit and gross profit margin was primarily attributable to the significant decrease in revenue from the wholesale service business and the automobile dealership and services business of the Group for the Period as compared to the corresponding period of last year.

The gross profit of the Group's wholesale service business was approximately RMB1,489,000 (corresponding period of 2019: RMB7,228,000), representing a decrease of approximately 79.40%; gross profit margin decreased from approximately 18.04% for the corresponding period of 2019 to approximately 12.64%. The decrease in gross profit was mainly attributable to the significant decrease in revenue for the Period as compared to the corresponding period of last year; while the decrease in gross profit margin was mainly attributable to the promotion of products at low prices during the Period.

The gross profit of the Group's manufacturing business was approximately RMB27,992,000 (corresponding period of 2019: RMB30,497,000), representing a decrease of approximately 8.21%. The gross profit margin decreased from approximately 14.38% for the corresponding period of 2019 to approximately 14.33%. The decrease in gross profit was mainly attributable to the decrease in revenue for the Period as compared to the corresponding period of last year; while the decrease in gross profit margin was primarily attributable to the increase in raw material and labor costs for the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

The gross loss of the Group's automotive dealership and services business was approximately RMB207,000 (corresponding period of 2019: gross profit of RMB68,533,000). The turnaround from gross profit to gross loss was mainly attributable to the significant decrease in revenue during the Period as compared to the corresponding period of 2019. The gross profit margin of 8.64% for the corresponding period of 2019 turned into the gross loss margin of 0.12% for the current period. The gross loss margin was mainly due to the enormous pressure faced by the Group in relation to cash flow under the coupling effect of the suspension of the operations of the dealer shops as a result of the COVID-19 pandemic on the Group's automotive dealership and services business and the tightening of credit policies by local banks in Inner Mongolia. In order to rapidly recoup funds and mitigate operating pressures, the Group's automotive dealership and services business supplied goods and services to the market by cents-off promotion.

## Expenses

The distribution costs for the Period were approximately RMB45,128,000 (the distribution costs from continuing operations for the corresponding period of 2019: RMB89,307,000), representing a decrease of approximately 49.47%, which was mainly attributable to the decrease in salaries and bonuses of sales personnel, freight, and other sales and marketing expenses as a result of the decline in consolidated revenue for the Period.

The administrative expenses for the Period were approximately RMB39,967,000 (administrative expenses from continuing operations for the corresponding period of 2019: RMB52,036,000), representing a decrease of approximately 23.19%, which was mainly due to the Group's control of the number of management personnel and the reduction of administrative expenses.

Impairment loss on trade and other receivables for the Period was approximately RMB352,395,000 (impairment loss on trade and other receivables from continuing operations for the corresponding period of 2019: RMB1,070,000). The trade receivables, deposits, prepayments and other receivables (the "**Receivables**") on which most of the impairment losses were recognised were due from Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.\* (內蒙古利豐鼎盛汽車有限公司) ("**Lifeng Dingsheng**") and its subsidiaries and associates (collectively, the "**Lifeng Dingsheng Group**"), which are primarily engaged in automobile dealership and services business in Inner Mongolia. For the reasons and other details for impairment on Receivables for the Period, please refer to the section headed "Collection of Receivables" in this interim report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operating loss

The operating loss of the Group for the Period amounted to approximately RMB393,314,000 (operating loss from continuing operations for the corresponding period of 2019: RMB21,878,000). The increase in loss was mainly due to the decrease in the Group's consolidated gross profit by approximately RMB76,984,000, the increase in impairment loss on trade and other receivables by approximately RMB351,325,000 (the "**Increase in Impairment Loss**") and the decrease in distribution costs by approximately RMB44,179,000 for the Period, as compared to the corresponding period of 2019.

## Finance costs

Finance costs for the Period amounted to approximately RMB21,133,000 (finance costs from continuing operations for the corresponding period of 2019: RMB27,734,000), representing a decrease of approximately 23.80%. Such decrease was mainly attributable to the imputed interest expenses on derivative financial instruments of approximately RMB17,927,000 for the corresponding period of 2019, which was not recorded during the Period, and the increase in interests on bank and other borrowings for the Period by approximately RMB8,955,000 as compared to the corresponding period of 2019.

## Taxation

Income tax credit for the Period was approximately RMB2,006,000 (income tax credit from continuing operations for the corresponding period of 2019: RMB8,056,000).

## Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Period was approximately RMB406,787,000 (loss attributable to equity shareholders from continuing operations for the corresponding period of 2019: RMB37,600,000). Excluding the Increase in Impairment Loss, the loss attributable to equity shareholders of the Company would have increased by RMB17,862,000 as compared with the corresponding period of 2019, which was mainly due to the substantial decrease in revenue during the Period. Loss per share for the Period was approximately RMB6.011 cents (loss per share from continuing operations for the corresponding period of 2019: RMB0.556 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 RMB31,609,000 during the Period (corresponding period of 2019: RMB16,522,000).

The Group's net current assets were approximately RMB214,342,000 as at 30 June 2020 (31 December 2019: RMB562,676,000), with a current ratio of 1.26 (31 December 2019: 1.56).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 72.65% as at 30 June 2020 (31 December 2019: 58.11%).

As at 30 June 2020, the total bank and other borrowings of the Group were approximately RMB369,919,000 (31 December 2019: RMB489,982,000), approximately 22.57% of which were made in US Dollar (“**USD**”) and approximately 77.43% were made in Renminbi (“**RMB**”). All of the borrowings were repayable at fixed interest rate, of which approximately RMB314,730,000 was repayable within one year and approximately RMB55,189,000 was repayable after one year but within two years.

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

## ***Collection of Receivables***

The Receivables of the Group mainly include the amount owed by the Lifeng Dingsheng Group to Inner Mongolia Chuangying Auto Co., Ltd. (“**Inner Mongolia Chuangying**”), a subsidiary of the Group, and its subsidiaries (“**Lifeng Dingsheng Receivables**”). As of 30 June 2020, the Lifeng Dingsheng Receivables amounted to approximately RMB618,725,000. The Lifeng Dingsheng Receivables mainly arose from the amount of RMB655,652,000 owed by the Lifeng Dingsheng Group to Inner Mongolia Chuangying and its subsidiaries before the completion of the acquisition of 100% equity interest of Inner Mongolia Chuangying from Lifeng Dingsheng by the Group on 30 September 2018 (the “**Acquisition**”). Details of the Acquisition were set out in the circular of the Company dated 24 August 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

The works related to the Acquisition commenced in September 2017 and were primarily undertaken by Mr. Du Jinglei (“**Mr. Du**”), the then sole executive director and chairman of the Board of the Company. Mr. Du has been the chairman and legal representative of Lifeng Dingsheng since January 2017. He resigned as the legal representative in November 2018 but still held the position of chairman. Prior to his arrest, Mr. Du was fully responsible for the operation and management of the Lifeng Dingsheng Group, and he was the core operating management personnel of the Lifeng Dingsheng Group.

Given that Mr. Du was the chairman of the Company, and that he was appointed to the Board as a representative of CDH Fast Two Limited, the controlling shareholder of the Company, the Board reasonably believed that Mr. Du would have handled the works related to the Acquisition with due care to safeguard the interests of the shareholders of the Company as a whole including CDH Fast Two Limited. Since the Acquisition constituted a very substantial acquisition and connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Company engaged HLB Hodgson Impey Cheng Limited to perform the audit and issue an accountant’s report on the financial statements of the acquired target companies. Meanwhile, the Company engaged First Shanghai Capital Limited as an independent financial adviser to advise on whether the terms of the Acquisition were fair and reasonable and whether the Acquisition was in the interests of the Company and its shareholders as a whole. In addition, the Group engaged Commerce & Finance Law Offices to conduct legal due diligence on the acquired target companies. Based on the trust in Mr. Du and the relevant reports and opinions issued by the above professional intermediaries, the Board reasonably believed that there was no significant risk in the Acquisition and it was in the interests of the Company and its shareholders as a whole.

At the meeting of the Audit Committee convened on 29 March 2019, Mr. Wang Zhenyu, a non-executive director of the Company, noted that the Company’s financial statements recorded a substantial amount of receivables, and he required the management to pay attention to the safety of receivables and secure the collection of receivables to ensure the normal operation of the Company and repayment of the debts on schedule as they fall due in the future. The above opinions of Mr. Wang Zhenyu were reported to all directors of the Company at the Board meeting held on the same day by the chairman of the audit Committee and were approved by the directors present.

# MANAGEMENT DISCUSSION AND ANALYSIS

In the second quarter of 2019, a non-executive director of the Company, Mr. Zhang Jianxing (“**Mr. Zhang**”) repeatedly urged Mr. Du to facilitate the Lifeng Dingsheng Group to repay the Lifeng Dingsheng Receivables as soon as possible. Mr. Du, however, claimed that the Lifeng Dingsheng Group was subject to the tightening credit policy of local banks in the Inner Mongolia which resulted in tight cash flow, and the most valuable asset of the Lifeng Dingsheng Group was its automobile distribution rights. Therefore, Mr. Du believed that the best solution to collect the Lifeng Dingsheng Receivables was to use the subsequent operating profits of the Lifeng Dingsheng Group to repay the Lifeng Dingsheng Receivables gradually. Mr. Zhang also suggested to ensure the collectability of the Lifeng Dingsheng Receivables by securing a pledge and mortgage on the assets of the Lifeng Dingsheng Group, but Mr. Du considered that once the above arrangement is implemented, it would cause panic among other creditors of the Lifeng Dingsheng Group (including banks), which may severely affect the normal operation of the Lifeng Dingsheng Group and in turn affect the collection of the Lifeng Dingsheng Receivables. Therefore, Mr. Zhang’s suggestion was refused.

On 1 July 2019, Mr. Du resigned as the executive Director and chairman of the Board of the Company, and Mr. Zhang acted as the acting chairman of the Board of the Company. Since then, the Company has not been able to contact Mr. Du directly to discuss the issues on the Lifeng Dingsheng Receivables.

In the preparation of the 2019 financial statements of the Company, the Company did not provide for substantive impairment on the Lifeng Dingsheng Receivables mainly because of four factors. First, the Company was still unable to contact Mr. Du directly to discuss the issues on the Lifeng Dingsheng Receivables, and there were certain travel restrictions due to the prevention and control measures to control the COVID-19 pandemic. Therefore, there were relatively limited channels to understand the operational and financial condition of the Lifeng Dingsheng Group. The collectability of the Lifeng Dingsheng Receivables was judged primarily based on the information available to the Company and the information provided by other management personnel of the Lifeng Dingsheng Group. Second, other management personnel of the Lifeng Dingsheng Group did not inform the Group that there was a trend of significantly adverse change in the operation of the Lifeng Dingsheng Group. Lifeng Dingsheng provided a guarantee for the Lifeng Dingsheng Receivables and provided a repayment schedule for the Lifeng Dingsheng Receivables, undertaking to repay approximately 94% of the Lifeng Dingsheng Receivables by 31 December 2021. In addition, according to the audit report of Lifeng Dingsheng for 2019, the Lifeng Dingsheng Group’s total equity attributable to Lifeng Dingsheng amounted to approximately RMB863,378,000, so the Lifeng Dingsheng Group still held sufficient assets to repay the Lifeng Dingsheng Receivables. Finally, based on the information obtained during the Acquisition by the Company, Lifeng Dingsheng engaged a valuer in 2016, 2017 and 2018 to perform valuation on the



# MANAGEMENT DISCUSSION AND ANALYSIS

land use rights and properties held by the Lifeng Dingsheng Group. According to the valuation results, the appreciation of some of the land use rights and properties held by the Lifeng Dingsheng Group corresponding to the entity interests held by Lifeng Dingsheng in the Lifeng Dingsheng Group amounted to approximately RMB324,358,000, which was not reflected in the abovementioned auditor's report of Lifeng Dingsheng; if the Lifeng Dingsheng Group is unable to repay the Lifeng Dingsheng Receivables by the profits generated from its own operations, the Company may enforce the Lifeng Dingsheng Group to dispose of its land use rights and properties, and the proceeds from disposal will be used to repay the Lifeng Dingsheng Receivables.

At the end of June 2020, Mr. Du's case was heard by the court for the first time. Based on the information on the case obtained from the trial, the Company considered that it is very likely that Mr. Du will be convicted. In such case, together with the impact of the COVID-19 pandemic in the first half of 2020, the solvency of the Lifeng Dingsheng Group will be substantially reduced, and the collectability of the Lifeng Dingsheng Receivables will be materially and adversely affected. In order to determine the collectability of the Lifeng Dingsheng Receivables, an investigation team established by the Group commenced to carry out an on-site due diligence on the financial and operational position of the Lifeng Dingsheng Group in mid-July 2020. In addition, in August 2020, the investigation team led by Mr. Zhao Yufeng, the newly appointed Chief Executive Officer of the Company, travelled to Inner Mongolia twice to communicate with related parties with a view to seeking and implementing the best solution for collecting the Lifeng Dingsheng Receivables as soon as possible.

The relevant information on the Lifeng Dingsheng Group obtained by the investigation team primarily includes:

1. After the outbreak of the COVID-19 pandemic in early 2020, the business operation of the Lifeng Dingsheng Group shrank significantly and continued to be affected by the pandemic, and the revenue generated in the first half of 2020 was significantly lower than that for the same period in 2019, but it was still obliged to continue to pay the related fixed expenses such as rents, salaries and social insurance related expenses;

# MANAGEMENT DISCUSSION AND ANALYSIS

2. Local banks in Inner Mongolia have tightened their credit approval criteria in response to the local economic recession, and have actively asked enterprises operating in Inner Mongolia to repay their loans, which has put enormous pressure on the cash flow of the Lifeng Dingsheng Group, resulting in a substantial increase in the financing costs for funding its operation in the first half of 2020; and
3. According to the documents provided by the Lifeng Dingsheng Group, Mr. Du has also provided personal guarantee for loans provided by financial institutions, which had close relationship with or were under the control of automobile manufacturers, as well as a number of banks to the Lifeng Dingsheng Group. As a result of Mr. Du's arrest as mentioned above, these banks and other creditors have strengthened their efforts to collect their amounts owed by the Lifeng Dingsheng Group, and some of the automobile manufacturers have ceased or opted not to renew the dealership authorisations previously granted to the Lifeng Dingsheng Group.

Based on the above information, the Company believes that there has been a substantial risk of the liquidity of the Lifeng Dingsheng Group. In the event of Mr. Du being convicted, together with the poor operation conditions of the Lifeng Dingsheng Group, it is likely that the creditors of the Lifeng Dingsheng Group would collect their creditor's rights by judicial means. In case of the above situation, the Lifeng Dingsheng Group may be forced in the legal proceedings to dispose of the land use rights and properties, being its main assets, and the proceeds from which will be used to repay debts. According to the judicial practice in Mainland China, the proceeds from disposal of assets during the legal proceedings are usually significantly lower than its reasonable value. Based on the above information, the Company has provided for a significant amount of impairment losses on the Lifeng Dingsheng Receivables.

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

1. Has completed the pledge of the creditor's rights due from third parties owned by Lifeng Dingsheng as security for the Lifeng Dingsheng Group's repayment of the Lifeng Dingsheng Receivables. The abovementioned pledged creditor's rights amounted to approximately RMB596,800,000 in aggregate, but the collectability of such creditor's rights cannot be determined for the time being; and
2. Has instituted legal proceedings against Lifeng Dingsheng.

# MANAGEMENT DISCUSSION AND ANALYSIS

Although the Company has recognised the related impairment for the Lifeng Dingsheng Receivables, we will use our best endeavors to maximise the collection of the Lifeng Dingsheng Receivables with a view to safeguarding the interests of the Company and its shareholders as a whole. The Company will also investigate the conduct of Mr. Du during the process of the Acquisition. If there is evidence that Mr. Du had misconduct during the process of the Acquisition and should be liable for the loss suffered by the Company in connection with the Acquisition, the Company will pursue necessary actions in due course.

## **Capital Structure**

On 26 September 2019 (after trading hours), the Company entered into a note exchange agreement with High Inspiring Limited (the “**Investor**”) and CCBI Solar Energy (Holding) Limited (the “**New Investor**”), an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited (the “**Note Exchange Agreement**”), pursuant to which the Company, on the one hand, and the Investor and the New Investor, on the other hand, agreed to exchange the convertible notes in the total outstanding principal amount of USD24,200,000 issued by the Company to the Investor with an initial principal amount of USD35,000,000 on 1 September 2017, for the notes in the aggregate principal amount of USD24,200,000 to be issued by the Company to the New Investor (the “**Notes**”). Closing was completed on the date of the Note Exchange Agreement and the convertible notes were cancelled simultaneously. Details of the aforementioned transaction were set out in the announcement of the Company dated 26 September 2019.

As of 30 June 2020, the outstanding principal amount under the Notes amounted to USD12,100,000. As mentioned above, the Group continued to maintain a stable financial position and healthy liquidity of assets. The Group has the ability to fulfill its redemption obligations under the Notes.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity during the Period. To manage liquidity risks, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and other commitments can meet its funding requirements from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS

The wholesale service business and the automotive dealership and services business of the Group mainly take 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 RMB and USD.

As at 30 June 2020, the total assets of the Group were RMB1,360,755,000 (31 December 2019: RMB1,937,231,000), which included: (1) share capital of RMB556,286,000 (31 December 2019: RMB556,286,000); (2) reserves of RMB(184,098,000) (31 December 2019: RMB255,313,000); and (3) debts of RMB988,567,000 (31 December 2019: RMB1,125,632,000).

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

As at 30 June 2020, the net book values of inventory, investment properties, property, plant and equipment and right-of-use assets pledged as security for the Group's bank borrowings totaled approximately RMB105,782,000 (31 December 2019: RMB178,168,000).

## ***Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures***

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

## ***Significant Investments***

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

## ***Exchange Risks***

The Group's wholesale service business as well as automotive dealership and services business mainly take place in Mainland China, with the settlement currency being RMB. Hence, there is no exchange risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

Approximately 75% of the revenue from the Group's manufacturing business was generated from the export of its products which was settled in USD. The materials used to produce such products were purchased in RMB. Therefore, the depreciation of USD against RMB would normally have an adverse effect on the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risks by making USD borrowings to mitigate such exchange risks. As at 30 June 2020, the amount of the Group's USD borrowings was approximately USD11,744,000 (31 December 2019: USD4,000,000).

## ***Contingent Liabilities***

As at 30 June 2020, the Group had no significant contingent liabilities.

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

As at 30 June 2020, the Group employed a total of 1,296 full-time employees (30 June 2019: 3,128), of which 222 (30 June 2019: 504) were managerial staff. The Group's remuneration policies are formulated to attract talent and retain quality staff. The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements share option scheme as a long-term incentive scheme of the Group. Details of the share options scheme will be disclosed in the section headed "Other Information" of the interim report of the Company to be published in due course. The Group emphasizes the importance of staff development and provides relevant training programs on an ongoing basis with reference to its strategic objectives and the performance of its staff.

## ***Dividends***

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: Nil).

# OTHER INFORMATION

## **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 2020, 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 2020, 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) <i>(Note 1)</i>	Number of shares interested under equity derivatives <i>(Note 1)</i>	Total number of shares <i>(Note 1)</i>	Approximate percentage of issued shares
CDH Fast Two Limited	Beneficial owner	2,889,580,226 (L)	-	2,889,580,226 (L)	42.70%
CDH Fast One Limited <i>(Note 2)</i>	Interest in a controlled corporation	2,889,580,226 (L)	-	2,889,580,226 (L)	42.70%

# OTHER INFORMATION

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) <i>(Note 1)</i>	Number of shares interested under equity derivatives <i>(Note 1)</i>	Total number of shares <i>(Note 1)</i>	Approximate percentage of issued shares
Fast Point Limited <i>(Note 2)</i>	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
CDH Fund IV, L.P. <i>(Note 2)</i>	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
CDH IV Holdings Company Limited <i>(Note 2)</i>	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
China Diamond Holdings IV, L.P. <i>(Note 2)</i>	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
China Diamond Holdings Company Limited <i>(Note 2)</i>	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
CCBI Solar Energy (Holding) Limited	Person having a security interest in shares <i>(Note 3)</i>	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
High Inspiring Limited	Beneficial owner	266,900,160 (L)	–	266,900,160 (L)	3.94%
CCBI Investments Limited <i>(Note 4)</i>	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)	–	266,900,160 (L)	3.94%

# OTHER INFORMATION

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) <i>(Note 1)</i>	Number of shares interested under equity derivatives <i>(Note 1)</i>	Total number of shares <i>(Note 1)</i>	Approximate percentage of issued shares
CCB International (Holdings) Limited <i>(Note 4)</i>	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)	–	266,900,160 (L)	3.94%
CCB Financial Holdings Limited <i>(Note 4)</i>	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)	–	266,900,160 (L)	3.94%
CCB International Group Holdings Limited <i>(Note 4)</i>	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)	–	266,900,160 (L)	3.94%
China Construction Bank Corporation <i>(Note 4)</i>	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)	–	266,900,160 (L)	3.94%



# OTHER INFORMATION

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) <i>(Note 1)</i>	Number of shares interested under equity derivatives <i>(Note 1)</i>	Total number of shares <i>(Note 1)</i>	Approximate percentage of issued shares
Central Huijin Investment Ltd. <i>(Note 4)</i>	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)	–	266,900,160 (L)	3.94%
Fame Mountain Limited	Beneficial owner	1,904,761,905 (L)	–	1,904,761,905 (L)	28.15%
Mo Keung <i>(Note 5)</i>	Interest in a controlled corporation	1,904,761,905 (L)	–	1,904,761,905 (L)	28.15%

## Notes:

- The letter "L" denotes a long position in the shares.
- 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 Company under the SFO.
- As disclosed in the announcement of the Company dated 26 September 2019, the Company has entered into the Note Exchange Agreement with High Inspiring Limited and CCBI Solar Energy (Holding) Limited, pursuant to which the Company, on the one hand, High Inspiring Limited and CCBI Solar Energy (Holding) Limited, on the other hand, have agreed to exchange the Outstanding Convertible Notes for the Notes. Pursuant to the Note Exchange Agreement, CDH Fast Two Limited entered into a share charge with CCBI Solar Energy (Holding) 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 CCBI Solar Energy (Holding) Limited. Closing has taken place on the same day as the date of the Note Exchange Agreement (the "**Closing**"). The Outstanding Convertible Notes have been cancelled with effect from Closing.

## OTHER INFORMATION

According to the terms of the Notes, unless waived by CCBI Solar Energy (Holding) Limited, the Company may be required to redeem the whole or part of the outstanding principal amount of the Notes at the redemption amount as stated in the 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 Notes which will mature on 1 September 2020. As at 30 June 2020, the outstanding principal amount of the Notes was US\$12,100,000.

4. Each of CCBI Investments Limited (as the sole shareholder of High Inspiring Limited and CCBI Solar Energy (Holding) 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.
5. 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 2020.

### **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 principal terms of the Scheme was included in the circular dispatched to the shareholders on 30 April 2014.

# OTHER INFORMATION

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 2020, no options which had been granted by the Company under the Scheme remained outstanding and no shares were available for issue under the Scheme. The total number of shares available for issue under the Scheme is 363,215,310 shares, representing approximately 5.37% of the total issued share capital of the Company as at that date.

## ***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 of the Company***

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors and chief executives of the Company subsequent to the date of the 2019 Annual Report are set out below:

<b>Name</b>	<b>Details of Changes</b>
Mr. Zhao Yufeng	– Appointed as the chief executive officer of the Company with effect from 7 August 2020.
Mr. Lin Lei	– Retired as an independent non-executive director of Xiezhong International Holdings Limited (協眾國際控股有限公司) (Stock Code: 3663) with effect from 15 June 2020.

# 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 2020.

# 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 2020. 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, 31 August 2020