NEW FOCUS AUTO TECH HOLDINGS LIMITED
新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "**Board**") of New Focus Auto Tech Holdings Limited (the "**Company**") hereby presents the unaudited consolidated result of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2017, together with unaudited comparative figures for the corresponding period in 2016, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2017** *RMB'000* *(Unaudited)*	2016 *RMB'000* *(Unaudited)*
Revenue	*3*	**611,470**	649,214
Cost of sales and services		**(499,545)**	(518,423)
Gross profit		**111,925**	130,791
Other revenue and gains and losses		**43,305**	46,593
Distribution costs		**(82,697)**	(90,584)
Administrative expenses		**(66,802)**	(54,928)
Finance costs	*4*	**(22,064)**	(20,427)
Share of loss of an associate		**(1)**	(1,894)
(Loss)/profit before taxation		**(16,334)**	9,551
Income tax expenses	*5*	**387**	(1,664)
(Loss)/profit for the period		**(15,947)**	7,887

* *For identification purposes only*

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)
For the six months ended 30 June 2017
(Expressed in Renminbi)

	Note	Six months ended 30 June **2017** ***RMB'000*** ***(Unaudited)***	2016 *RMB'000* *(Unaudited)*
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**3,129**	(1,087)
Other comprehensive income for the period, net of tax		**3,129**	(1,087)
Total comprehensive income for the period		**(12,818)**	6,800
(Loss)/profit for the period attributable to			
– Owners of the Company		**1,500**	(38)
– Non-controlling interests		**(17,447)**	7,925
		(15,947)	7,887
Total comprehensive income attributable to			
– Owners of the Company		**4,629**	(1,125)
– Non-controlling interests		**(17,447)**	7,925
		(12,818)	6,800
Earnings/(loss) per share	*6*		
Basic (RMB cents)		**0.033**	(0.001)
Diluted (RMB cents)		**0.033**	(0.001)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**194,469**	182,450
Leasehold land and land use rights		**29,686**	30,221
Investment properties		**43,864**	43,864
Goodwill		**43,919**	43,919
Other intangible assets		**56,012**	56,038
Interest in an associate		**392**	393
Deferred tax assets		**31,166**	31,166
		399,508	388,051
Current assets			
Inventories		**178,275**	177,135
Tax recoverable		**1,337**	6
Trade receivables	*8*	**146,870**	161,590
Deposits, prepayments and other receivables		**280,470**	284,650
Amounts due from related companies		**18,493**	32,633
Pledged time deposits		**4,500**	4,500
Available-for-sale financial assets		**30,000**	–
Cash and cash equivalents		**177,366**	164,269
		837,311	824,783
Current liabilities			
Bank borrowings, secured		**195,659**	178,475
Trade payables	*9*	**184,321**	185,641
Accruals and other payables		**222,770**	208,662
Tax payable		**157**	4,423
Convertible bonds		**193,918**	183,834
		796,825	761,035
Net current assets		**40,486**	63,748
Total assets less current liabilities		**439,994**	451,799

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2017
(Expressed in Renminbi)

	At 30 June 2017 ***RMB'000*** ***(Unaudited)***	At 31 December 2016 *RMB'000* *(Audited)*
Non-current liabilities		
Deferred tax liabilities	**22,632**	22,632
	22,632	22,632
NET ASSETS	**417,362**	429,167
CAPITAL AND RESERVES		
Share capital	**376,184**	376,184
Reserves	**(16,187)**	(21,897)
Total equity attributable to owners of the Company	**359,997**	354,287
Non-controlling interests	**57,365**	74,880
TOTAL EQUITY	**417,362**	429,167

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017
(Expressed in Renminbi)

	Share capital *RMB'000*	Share premium and other reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Attributable to owners of the company *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017	**376,184**	**936,088**	**(957,985)**	**354,287**	**74,880**	**429,167**
Profit/(loss) for the period	**–**	**–**	**1,500**	**1,500**	**(17,447)**	**(15,947)**
Other comprehensive income for the period	**–**	**3,129**	**–**	**3,129**	**–**	**3,129**
Total comprehensive income for the period	**–**	**3,129**	**1,500**	**4,629**	**(17,447)**	**(12,818)**
Dividends declared to non-controlling owners of subsidiaries	**–**	**–**	**–**	**–**	**(68)**	**(68)**
Recognition of equity-settled share-based payments	**–**	**1,081**	**–**	**1,081**	**–**	**1,081**
Balance at 30 June 2017	**376,184**	**940,298**	**(956,485)**	**359,997**	**57,365**	**417,362**
Balance at 1 January 2016	**376,133**	**932,800**	**(832,016)**	**476,917**	**107,796**	**584,713**
(Loss)/profit for the period	**–**	**–**	**(38)**	**(38)**	**7,925**	**7,887**
Other comprehensive income for the period	**–**	**(1,087)**	**–**	**(1,087)**	**–**	**(1,087)**
Total comprehensive income for the period	**–**	**(1,087)**	**(38)**	**(1,125)**	**7,925**	**6,800**
Investment from non-controlling owners of subsidiaries	**–**	**–**	**–**	**–**	**2,004**	**2,004**
Shares issued under share option scheme	**43**	**171**	**–**	**214**	**–**	**214**
Recognition of equity-settled share-based payments	**–**	**3,610**	**–**	**3,610**	**–**	**3,610**
Transferred from convertible bonds	**–**	**1,619**	**–**	**1,619**	**–**	**1,619**
Arising from acquisitions of a subsidiary	**–**	**–**	**–**	**–**	**(529)**	**(529)**
Balance at 30 June 2016	**376,176**	**937,113**	**(832,054)**	**481,235**	**117,196**	**598,431**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2017
(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating activities		
Cash used in operations	**(6,717)**	(27,208)
Tax paid	**(5,210)**	(1,973)
Net cash used in operating activities	**(11,927)**	(29,181)
Investing activities		
Proceeds from sale of financial assets available for sale	**130**	3,536
Purchase of available-for-sale financial assets	**(30,000)**	–
Proceeds from disposal of subsidiaries	**14,326**	–
Net cash outflow arising from acquisition of subsidiaries	**–**	(889)
Purchase of property, plant and equipment	**(27,632)**	(21,091)
Loans repaid by a third party	**12,761**	60,000
Other cash flows arising from investing activities	**42,645**	8,821
Net cash generated from investing activities	**12,230**	50,377
Financing activities		
Net increase/(decrease) in bank borrowings, secured	**17,184**	(38,758)
Other cash flows arising from financing activities	**(4,390)**	(8,630)
Net cash generated from/(used in) financing activities	**12,794**	(47,388)
Net increase/(decrease) in cash and cash equivalents	**13,097**	(26,192)
Cash and cash equivalents, beginning of period	**164,269**	140,327
Cash and cash equivalents, end of period	**177,366**	114,135

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**"). Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands and 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. 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 2017 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 30 August 2017.

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 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 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2017.

3. 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	
	2017	2016
	RMB'000	*RMB'000*
Sale of goods	**431,869**	379,552
Service income	**179,601**	269,662
	611,470	649,214

(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 three reportable segments: (i) the provision of automobile repair, maintenance and restyling services (the "**Retail Service Business**"); (ii) trading of automobile accessories (the "**Wholesale Business**"); and (iii) the manufacture and sale of automobile accessories (the "**Manufacturing Business**").

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.

3. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

(a) **Reportable segment** *(Continued)*

Set out below is an analysis of segment information:

	The Retail Service Business *RMB'000*	The Wholesale Business *RMB'000*	The Manufacturing Business *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2017				
Revenue				
External revenue	**179,601**	**175,933**	**255,936**	**611,470**
Inter-segment revenue	**–**	**–**	**127**	**127**
Segment revenue	**179,601**	**175,933**	**256,063**	**611,597**
Less: inter-segment revenue				**(127)**
Total revenue				**611,470**
Reportable segment results	**(24,616)**	**(12,985)**	**4,967**	**(32,634)**
Interest income	**65**	**75**	**130**	**270**
Unallocated interest income				**41,666**
Total interest income				**41,936**
Interest expenses	**(1,431)**	**(656)**	**(472)**	**(2,559)**
Unallocated interest expenses				**(19,505)**
Total interest expenses				**(22,064)**
Depreciation and amortisation charges	**(10,744)**	**(850)**	**(5,186)**	**(16,780)**
Unallocated depreciation and amortisation charges				**(677)**
Total depreciation and amortisation charges				**(17,457)**

3. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

(a) **Reportable segment** *(Continued)*

	The Retail Service Business *RMB'000*	The Wholesale Business *RMB'000*	The Manufacturing Business *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2016				
Revenue				
External revenue	269,662	211,838	167,714	649,214
Inter-segment revenue	450	–	160	610
Segment revenue	270,112	211,838	167,874	649,824
Less: inter-segment revenue				(610)
Total revenue				649,214
Reportable segment results	(8,372)	14,209	3,470	9,307
Interest income	365	129	7	501
Unallocated interest income				23,081
Total interest income				23,582
Interest expenses	(2,870)	(115)	(439)	(3,424)
Unallocated interest expenses				(17,003)
Total interest expenses				(20,427)
Depreciation and amortisation charges	(9,503)	(1,643)	(6,378)	(17,524)
Unallocated depreciation and amortisation charges				(1,872)
Total depreciation and amortisation charges				(19,396)

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
(Loss)/profit before income tax expense		
Reportable segment (loss)/profit	**(32,634)**	9,307
Unallocated other revenue and gains or losses	**43,006**	28,958
Unallocated corporate expenses	**(7,201)**	(11,711)
Unallocated finance costs	**(19,505)**	(17,003)
Consolidated (loss)/profit before income tax expense	**(16,334)**	9,551

	At 30 June	At 31 December
	2017	2016
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**990,260**	968,806
Unallocated corporate assets	**246,559**	244,028
Consolidated total assets	**1,236,819**	1,212,834
Liabilities:		
Reportable segment liabilities	**630,832**	612,583
Unallocated corporate liabilities	**188,625**	171,084
Consolidated total liabilities	**819,457**	783,667

(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, leasehold land and land use rights, other intangible assets, goodwill and interest in an associate ("**specified non-current assets**"):

	Revenue from external customers		Specified non-current assets	
	At 30 June	At 30 June	**At 30 June**	At 31 December
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (Place of domicile)	**440,316**	447,981	**368,342**	356,885
America	**148,317**	99,795	**–**	–
Europe	**9,141**	17,911	**–**	–
Asia Pacific	**13,696**	15,366	**–**	–
Taiwan	**–**	68,161	**–**	–
	611,470	649,214	**368,342**	356,885

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(d) Major customers

During the six months ended 30 June 2017, the Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenues.

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interests on bank borrowings		
– wholly repayable within five years	**4,135**	4,880
Imputed interest on convertible bonds	**17,929**	15,547
	22,064	20,427

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC and Taiwan corporate income tax	**(387)**	1,664
	(387)	1,664

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 2017 (30 June 2016: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

6. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the year attributable to the owners of the Company, used in the basic and diluted earnings/(loss) per share calculation	**1,500**	(38)
Shares		
Weighted average number of ordinary shares for the basic earnings/(loss) per share calculation	**4,576,606**	4,576,506
Effect of dilution – weighted average number of ordinary shares:		
– Share options#	**–**	–
– Convertible bonds*	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**4,576,606**	4,576,506

\# The computation of diluted earnings per share for the six months ended 30 June 2017 does not assume the conversion of the Company's outstanding share options since the exercise price of those share options is higher than the average market price during the first half of 2017.

The computation of diluted loss per share for the six months ended 30 June 2016 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in loss per share.

* The computation of diluted earnings per share for the six months ended 30 June 2017 does not assume the conversion of the Company's convertible bonds issued to Haitong International Financial Products Limited, since its exercise would result in an increase in earnings per share.

The computation of diluted loss per share for the six months ended 30 June 2016 does not assume the conversion of the Company's convertible bonds issued to Haitong International Financial Products Limited, since its exercise would result in a reduction in loss per share.

7. DIVIDEND

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

8. TRADE RECEIVABLES

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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Current to 30 days	**89,125**	91,609
31 to 60 days	**30,319**	42,381
61 to 90 days	**10,019**	13,850
Over 90 days	**23,244**	20,335
	152,707	168,175
Less: allowance for doubtful debts	**(5,837)**	(6,585)
	146,870	161,590

9. TRADE PAYABLES

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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Current to 30 days	**91,142**	82,437
31 to 60 days	**25,853**	33,336
61 to 90 days	**20,375**	19,253
Over 90 days	**46,951**	50,615
	184,321	185,641

10. SUBSEQUENT EVENTS

On 21 August 2017, the Company entered into a convertible note purchase agreement with High Inspiring Limited, an indirect wholly-owned subsidiary of China Construction Bank Corporation (the "**Investor**"), pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to purchase the convertible notes in an aggregate principal amount of US$35,000,000 (equivalent to approximately HK$271,250,000) due in 2019 ("**CCB CNs**"). Assuming full conversion of the CCB CNs at the initial conversion price of HK$0.306085 per share, the CCB CNs will be convertible into approximately 886,191,744 shares of the Company. The net proceeds from the issuance of the CCB CNs, after deducting all related fees and expenses, are estimated to be approximately US$34,500,000 (equivalent to approximately HK$267,375,000). Details of the transaction above are set out in the announcement of the Company dated 21 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is committed to the construction and development of individual automotive service chain network and automotive product e-commerce platform. The retail service chain stores of the Group, which are primarily city gas stations, provide car owners with automotive cleaning, beauty, maintenance, body repair and repair services and sell automotive products. The automotive product e-commerce platform of the Group provides customers with purchase, delivery and warehouse storage services of automotive repair parts and automotive products. The manufacturing business of the Group is principally engaged in the research and development, manufacture and sale of electronic and power-related automotive accessories, which are mainly sold to the Mainland China, North America and Europe.

Results Highlights

Revenue

For the six months ended 30 June 2017 (the "**Period**"), the Group recorded a consolidated revenue of RMB611,470,000 (corresponding period of 2016: RMB649,214,000), representing a decrease of 5.81%.

The consolidated revenue of the retail service business of the Group amounted to RMB179,601,000 (corresponding period of 2016: RMB269,662,000), representing a decrease of 33.40%, which was mainly because the Company disposed of its 100% equity interests in New Focus Richahaus Corporation Limited, Taiwan New Focus Auto Service Corporation Limited, Shenzhen Yonglonghang Auto Service Ltd. and Shanghai New Focus Auto Repair Service Co., Ltd. in the second half of 2016 (the "**Disposal of Certain Retail Service Business**"). Excluding such factor, the consolidated revenue of the Group's retail service business recorded an increase of 11.85% as compared to that in the corresponding period of 2016, which was mainly attributable to the expansion of the stores of Beijing Aiyihang Auto Service Ltd., a subsidiary of the Company.

The consolidated revenue of the wholesale service business of the Group was RMB175,933,000 (corresponding period of 2016: RMB211,838,000), representing a decrease of 16.95%. The decrease was mainly attributable to the Company's disposal of the 100% equity interest held in Shanghai Astrace Trade Development Co., Limited in December 2016 (the "**Disposal of Equity Interest in Shanghai Astrace**"). Excluding such factor, the consolidated revenue of the wholesale service business of the Group recorded an increase of 5.59% as compared to that in the corresponding period of 2016, which was mainly attributable to the commencement of development in e-commerce platform business conducted by subsidiaries of the Company, namely, Liaoning Xin Tian Cheng Industrial Co., Ltd. and Zhejiang Autoboom Industrial Co., Limited, since May 2015 and July 2016 respectively.

The consolidated revenue of the manufacturing business of the Group was RMB255,936,000 (corresponding period of 2016: RMB167,714,000), representing an increase of 52.60%, which was mainly attributable to the sales of newly developed products and the revenue contributed by new customers.

Gross profit and gross margin

The consolidated gross profit of the Group for the Period was RMB111,925,000 (corresponding period of 2016: RMB130,791,000), representing a decrease of 14.42%. Gross margin decreased from 20.15% to 18.30%.

The gross profit of the Group's retail service business was RMB48,124,000 (corresponding period of 2016: RMB52,879,000), representing a decrease of 8.99%, and its gross margin increased from 19.61% to 26.80%. The decrease in gross profit was mainly attributable to the Disposal of Certain Retail Service Business resulting in a decrease in revenue during the Period as compared to that in the corresponding period of 2016. The increase in gross margin was mainly due to the higher proportion of sales of products with high gross profit.

The gross profit of the Group's wholesale service business was RMB15,949,000 (corresponding period of 2016: RMB42,677,000), representing a decrease of 62.63%, and its gross margin decreased from 20.15% to 9.07%. The decrease in gross profit was mainly attributable to the Disposal of Equity Interest in Shanghai Astrace resulting in a decrease in revenue during the Period as compared to that in the corresponding period of 2016. The decrease in gross margin was mainly due to the effect of e-commerce and intense market competition leading to the Group strengthening the promotional effort of its wholesale service business.

The gross profit of the Group's manufacturing business was RMB55,397,000 (corresponding period of 2016: RMB35,234,000), representing an increase of 57.23%, and its gross margin increased from 21.01% to 21.64%. The increase in gross profit was mainly attributable to the increase in revenue during the Period as compared to that in the corresponding period of 2016.

Expenses

The distribution costs for the Period were RMB82,697,000 (corresponding period of 2016: RMB90,584,000), representing a decrease of 8.71%, which was mainly attributable to the Disposal of Certain Retail Service Business and the Disposal of Equity Interest in Shanghai Astrace.

The administrative expenses for the Period were RMB66,802,000 (corresponding period of 2016: RMB54,928,000), representing an increase of 21.62%, which was mainly attributable to greater research and development investment in the manufacturing business and the significant increase in the number of stores and staff in the retail service business resulting in the corresponding increase in the administrative expenses.

Operating profit

The operating profit for the Period was RMB5,730,000 (corresponding period of 2016: RMB31,872,000), representing a decrease in operating profit of RMB26,142,000 as compared to that in the corresponding period of 2016, which was mainly because the Group's gross profit for the Period decreased by RMB18,866,000, the aggregate of distribution costs and administrative expenses increased by RMB3,987,000, and other revenue and gains and losses decreased by RMB3,288,000.

Finance costs

Net finance costs for the Period amounted to RMB22,064,000 (corresponding period in 2016: RMB20,427,000), representing an increase of 8.01%. It was mainly attributable to the increase in interests payable pursuant to the convertible bonds issued by the Company of RMB2,382,000 during the Period as compared to the corresponding period in 2016.

Taxation

Income tax expenses for the Period were RMB(387,000) (corresponding period in 2016: RMB1,664,000), representing a decrease of RMB2,051,000, which was mainly attributable to the receipt of tax refund for income tax filling of RMB1,295,000 by the manufacturing business during the Period.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company for the Period was RMB1,500,000 (corresponding period in 2016: RMB38,000 of attributable loss), representing an increase of RMB1,538,000, which was mainly due to the better performance of the Group's businesses. Earnings per share amounted to RMB0.033 cents (corresponding period in 2016: RMB0.001 cent of loss per share).

Financial Position and Liquidity

The Group continued to maintain a stable financial position and healthy liquidity of assets. During the Period, the Group's net cash outflow from operating activities amounted to RMB11,927,000 (corresponding period in 2016: outflow of RMB29,181,000).

The Group's net current assets were RMB40,486,000 as at 30 June 2017 (31 December 2016: RMB63,748,000), with a current ratio of 1.05 (31 December 2016: 1.08).

Gearing ratio (calculated by dividing total liabilities by total assets) was 66.26% as at 30 June 2017 (31 December 2016: 64.61%).

As at 30 June 2017, the total bank borrowings of the Group were RMB195,659,000 (31 December 2016: RMB178,475,000), approximately 13.87% of which were made in USD and approximately 86.13% were made in RMB. All of the bank 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 the Group's business, internal liquid funds and the financial agreements entered into with banks. The Group had sufficient financial resources to satisfy all contractual responsibilities and operation needs.

Capital Structure

On 5 July 2015, the Company entered into a subscription agreement with Haitong International Financial Products Limited ("**Haitong**"), pursuant to which the Company has conditionally agreed to issue, and Haitong has conditionally agreed to subscribe for Haitong Convertible Bonds ("**Haitong CB**"). The issue and subscription of Haitong CB were completed on 13 July 2015. More details of the above transaction were set out in the announcements of the Company dated 6 July 2015, 7 July 2015, 13 July 2015 and 9 August 2016. As at the date of this report, the Company has not received any notice from Haitong on its intention to convert Haitong CBs. For illustrative purposes, assuming Haitong CBs were fully converted at an initial conversion price of HK$3.00 per share as at 30 June 2017, Haitong CBs could be converted into approximately 64,833,333 conversion shares, and the total issued shares of the Company as at 30 June 2017 would be increased from 4,576,606,289 shares to 4,641,439,622 shares.

As at 30 June 2017, the Group's total assets were RMB1,236,819,000 (31 December 2016: RMB1,212,834,000), comprising: (1) share capital of RMB376,184,000 (31 December 2016: RMB376,184,000), (2) reserves and non-controlling interests of RMB41,178,000 (31 December 2016: RMB52,983,000), and (3) debts of RMB819,457,000 (31 December 2016: RMB783,667,000).

Financial Guarantees and Pledge of Assets

As at 30 June 2017, the net book values of properties, plants, equipment, leasehold land, land use rights and time deposits pledged to secure the Group's bank borrowings totaled RMB105,308,000 (31 December 2016: RMB107,516,000).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no 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 had no specific future plans for material investments or acquisition of business.

Exchange Risk

The Group's retail and wholesale service businesses mainly took place in Mainland China and their settlement currency was RMB. Hence, there was no exchange risk. Approximately 80% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in US dollar, whereas most of the raw materials used to produce these exports were purchased in RMB. Hence, in general, the depreciation of US dollar against RMB would adversely affect the profitability of the Group's manufacturing business. The Group reduced its exposure to the foreign currency risk from US dollar by making US dollar borrowings, so as to lower such exchange risks. As at 30 June 2017, the Group's US dollar denominated borrowings were approximately USD4,000,000 (31 December 2016: USD 6,000,000).

Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2017, the Group employed a total of 4,308 (30 June 2016: 4,428) full-time employees, of which 592 (30 June 2016: 628) were managerial staff. The remuneration package for the Group's employees included wages, incentives (such as performance-based bonus) and allowances. The Group also provided social security insurance and benefits for its employees, and formulates and implements share option schemes as the Group's long-term incentive scheme. Details of the share option scheme will be disclosed in the "Other Information" of the Company's 2017 interim report to be published and despatched in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course. The Group stresses the importance of staff development and provides training programmes 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 2017 (corresponding period of 2016: nil).

Major Events after the Period

On 21 August 2017, the Company entered into a convertible note purchase agreement with High Inspiring Limited, an indirect wholly-owned subsidiary of China Construction Bank Corporation (the "**Investor**"), pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to purchase the convertible notes in an aggregate principal amount of US$35,000,000 (equivalent to approximately HK$271,250,000) due in 2019 ("**CCB CNs**"). Assuming full conversion of the CCB CNs at the initial conversion price of HK$0.306085 per share, the CCB CNs will be convertible into approximately 886,191,744 shares of the Company. The net proceeds from the issuance of the CCB CNs, after deducting all related fees and expenses, are estimated to be approximately US$34,500,000 (equivalent to approximately HK$267,375,000). Details of the transaction above are set out in the announcement of the Company dated 21 August 2017.

INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

During the Period, the sales volume of passenger vehicles in the PRC was approximately 11.25 million, with a year-on-year increase of approximately 2.27%. The sales of passenger vehicles in the PRC market continued to grow steadily, promoting a constant increase of retention of passenger vehicle. It is expected that the scale of the PRC automobile after-sales market will reach RMB1,000 billion in 2017, which is both a historical opportunity and a severe challenge in light of the segmentation of automobile service industry.

Along with increasing average age of passenger vehicles in the PRC, the proportion of vehicles with expired warranties which are in the peak of need for replacement of naturally ageing accessories (normally 5-10 years after sales) has been increasing. More and more vehicle owners have shifted to individual automotive after-sales service chain network and e-commerce platform to obtain more economic, reliable and secure maintenance and repair replacement programs. Currently, other than the large-scale 4S dealership groups and small-scale individual stores, the number of large-scale urban economic automotive after-sales chain network in the market is extremely small. The strong demand for such economic chain network in the market is materially similar to the consumption demand for economic chain hotels in hospitality industry and demand for fast-food chain consumption in beverage industry in the PRC market. In mature markets, such as the U.S. and Japan, their development history of large-scale individual after-sales chain network has also proved this development trend. The Group will continue to maintain our modest position and our principles of chain and branding operation and standardized and customized servicing, to gradually increase the numbers of individual after-sales service chain stores and branding influence of the Group. It is expected that the scale and revenue of individual after-sales service chain system of the Group will grow steadily.

In the meantime, there are more than 300,000 individual small-scale after-sales stores in the PRC market, of which the parts and accessories required in the maintenance and repair business has still relied on the traditional dealership system and the distribution model in an automotive parts city, and the efficiency of supply chain is relatively low. For the regular maintenance parts and accessories and modification products, there is a significant need for comprehensive one-stop suppliers for these small-scale after-sales stores to address the low efficiency of scattered supply chain at the current stage. The Group considered that the solutions of finding and ordering products on internet, integrated categories of products and optimized one-stop storage and delivery are the main development approach to the problems existed in the supply of automotive parts and accessories to those small-scale individual stores. The Group will provide one-stop parts and accessories wholesale and delivery service to those small-scale individual stores through ordering on computers and mobile devices with the foundation of "Auto Make" e-commerce platform in B2B field. Such business model of the Group is expected to replace the traditional model of dealerships and distribution of automotive parts city at a quick pace while the scale and revenue of the business will also grow rapidly.

As at 30 June 2017, the Group had a total of 216 retail service stores, 10 wholesale service stores and 2 manufacturing factories.

The Group's Service Business

Based on the analysis of automobile after-sales market by the management, the Group focused on the expansion of individual automobiles service chained network in urban areas in B2C field and the construction and expansion of the automotive products e-commerce platform "Auto Make" in B2B field.

The operating strategies implemented during the Period mainly include the following aspects:

First, the Group steadily expanded its retail service network and optimized its operating model and efficiency. The consolidated service chain business of the Group will focus the investment on gas station stores. Pursuant to the strategic cooperation agreement between the Group and the related branch companies of Sinopec Chemical Products Sales Company ("**Sinopec**") and PetroChina Company Limited ("**PetroChina**"), the Group continued to expand the scope of cooperation with Sinopec and PetroChina.

With more than 50,000 gas stations set up in China by Sinopec and PetrolChina, the Group has made breakthrough in the bottleneck of site selection of new retail stores which is normally faced by automotive after-sales chained corporation. In this regard, the Group will be able to substantially increase its pace in setting up retail service stores and level of standardization and gradually implement and optimize the layout of the Group's gas station stores in China. As at 30 June 2017, the number of stores established by the Group in Hubei, Guangdong, Gansu, Jiangxi, Tianjin, Anhui, Sichuan and other provinces reached 177 in total.

Secondly, the Group invested more resources to improve the e-commerce platform "Auto Make", which operates the wholesale business, and obtained significant result. Targeting small-scale and chain automotive after-sales service retail stores, the e-commerce platform provides customers with purchase, delivery and warehouse storage services of repair and maintenance products and automotive products, and it also attracts relevant manufacturers and large-scale wholesalers to set up stores on the "Auto Make" platform for the purpose of providing services such as sales, collection of payment and delivery. Through these functions, the Group has set up an e-commerce platform combining a self-operated wholesale platform of the Group and third-party sales of automotive products.

The operating results of e-commerce platform "Auto Make" during the Period grew at a high pace, of which sales amount generated from self-operated business reached over RMB165 million, representing an increase of approximately 42% as compared to the same period of 2016.

The e-commerce platform is expected to continue to increase the sales amount of the Group significantly and enhance the Group's operation efficiency. At present, the e-commerce business platform has covered three provinces in Northeast China as well as Eastern Mongolia Region, Zhejiang Province and Jiangsu Province, and it is expected to further expand to Beijing, Shanghai and Guangdong.

The Group's Manufacturing Business

The Group has continuously reviewed the information regarding the Group's target markets, customers and products for further optimization of the structures of products and expansion of the market channels. For the international market, we focused on the increase of products with intelligent control and the Internet functions, efficiently promoting the products' competitiveness. For the domestic market, the Group developed a series of chargers and inverters in regard to the rapid growth in the market of truck and car modification, which made an effective breakthrough in the market. For the domestic OEM market, the Group focused on the solutions to the power of new energy vehicles and the Group's capability of technological research and development and manufacturing have come top in the industry, which has laid the foundations for forming new growth points for our manufacturing business.

Prospects

The Group will continue to adopt the following operational strategies for its service business:

Firstly, the Group will expand the scope of cooperation with Sinopec and PetroChina. Leveraging on the demonstrative effects of retail service stores established at the gas stations within the Sinopec's network in Hubei, the Group will promote the cooperation model of the Group and Sinopec in the markets of other regions, and expand the scope of cooperation to the nationwide gas station network eventually.

Secondly, the Group will actively adjust the product portfolio of the wholesale business, focus on automotive repair and maintenance products with rigid demand, improve logistics efficiency and service quality, enhance the proportion of e-commerce sales and continue to improve its e-commerce platform "Auto Make", thereby enabling the Group to become an indispensable comprehensive supplier that provides integrated repair and maintenance products for automotive after-sales service stores in target markets.

Thirdly, the Group will continue to actively search for and negotiate with potential acquisition targets and cooperation partners which will help achieve the strategic objectives of the Group.

CORPORATE GOVERNANCE AND OTHERS

Corporate Governance

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

At present, the Company has four Board committees. The information of the members of these committees is set out below:

1. Audit Committee:

   Mr. Hu Yuming *(Chairman)*, Mr. Lin Lei and Mr. Ying Wei

2. Remuneration Committee:

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

3. Nomination Committee:

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

4. Strategy Committee:

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

Purchase, Sale and Redemption of the Company's Listed Securities

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

Securities Transactions of Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. Having made specific enquiry to all Directors by the Company, all Directors confirmed that they had complied with the requirements set out in the Model Code during the six months ended 30 June 2017.

Audit Committee

At present, the Audit Committee comprises Mr. Hu Yuming, Mr. Lin Lei and Mr. Ying Wei. Mr. Hu Yuming and Mr. Lin Lei are independent non-executive Directors of the Company, and Mr. Ying Wei is a non-executive Director of the Company. 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 2017. The accounting information in this interim results announcement has not been audited but has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.nfa360.com). The 2017 interim report will be despatched to the shareholders of the Company in September 2017 and made available on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
New Focus Auto Tech Holdings Limited
Zhang Jianxing
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the directors of the Company are: executive directors – ZHANG Jianxing and DU Jinglei; non-executive directors – YING Wei, WANG Zhenyu and LI Ngai; and independent non-executive directors – HU Yuming, LIN Lei and ZHANG Xiaoya.