# 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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of New Focus Auto Tech Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Year**") together with the comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2018*
*(Expressed in Renminbi)*

| | *Note* | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| **Revenue** | *5* | **1,792,548** | 1,267,928 |
| Cost of sales and services | | **(1,542,245)** | (1,045,573) |
| **Gross profit** | | **250,303** | 222,355 |
| Other revenue and gains and losses | *6* | **244,003** | (203,571) |
| Distribution costs | | **(208,701)** | (184,082) |
| Administrative expenses | | **(160,169)** | (152,619) |
| Impairment loss on goodwill and other intangible assets | | **–** | (5,302) |
| Finance costs | *7* | **(43,508)** | (47,885) |
| Share of loss of an associate | | **(159)** | (234) |
| **Profit/(loss) before taxation** | *8* | **81,769** | (371,338) |
| Income tax | *9* | **(27,964)** | 1,368 |
| **Profit/(loss) for the year** | | **53,805** | (369,970) |

* *For identification purposes only*

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

*For the year ended 31 December 2018*
*(Expressed in Renminbi)*

| | Note | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | **20,190** | 9,831 |
| Items 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 | | **30,933** | – |
| **Other comprehensive income for the year, net of tax** | | **51,123** | 9,831 |
| **Total comprehensive income/(loss) for the year** | | **104,928** | (360,139) |
| **Profit/(Loss) for the year attributable to** | | | |
| – Equity shareholders of the Company | | **107,833** | (315,465) |
| – Non-controlling interests | | **(54,028)** | (54,505) |
| | | **53,805** | (369,970) |
| **Total comprehensive income/(loss) attributable to** | | | |
| – Equity shareholders of the Company | | **158,956** | (305,634) |
| – Non-controlling interests | | **(54,028)** | (54,505) |
| | | **104,928** | (360,139) |
| **Earnings/(loss) per share** | *11* | | |
| Basic (RMB cents) | | **1.84** | (6.79) |
| Diluted (RMB cents) | | **1.84** | (6.79) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2018*
*(Expressed in Renminbi)*

| | Note | **31 December 2018** *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **234,588** | 206,033 |
| Leasehold land and land use rights | | **28,083** | 29,152 |
| Investment properties | | **46,481** | 46,398 |
| Goodwill | | **43,919** | 43,919 |
| Other intangible assets | | **48,578** | 49,660 |
| Interest in an associate | | **–** | 159 |
| Amounts due from related parties | | **24,262** | 24,262 |
| Deferred tax assets | | **18,498** | 37,627 |
| Financial assets at fair value through other comprehensive income | | **44,232** | – |
| Other non-current assets | | **6,010** | 8,636 |
| | | **494,651** | 445,846 |
| **Current assets** | | | |
| Inventories | | **516,886** | 177,986 |
| Tax recoverable | | **2,400** | 6 |
| Trade receivables | *12(a)* | **221,238** | 161,632 |
| Deposits, prepayments and other receivables | *12(b)* | **517,206** | 442,264 |
| Amounts due from related parties | | **678,816** | 15,006 |
| Pledged time deposits | | **4,500** | 4,500 |
| Cash and cash equivalents | | **134,460** | 132,944 |
| | | **2,075,506** | 934,338 |
| **Current liabilities** | | | |
| Bank and other borrowings, secured | | **552,309** | 157,051 |
| Trade payables | *13(a)* | **316,168** | 242,755 |
| Contract liabilities | | **214,320** | – |
| Accruals and other payables | *13(b)* | **218,444** | 428,163 |
| Amount due to related parties | | **66,523** | 2,719 |
| Tax payable | | **12,439** | 4,041 |
| Convertible bonds | | **182,520** | 305,260 |
| | | **1,562,723** | 1,139,989 |
| **Net current assets/(liabilities)** | | **512,783** | (205,651) |
| **Total assets less current liabilities** | | **1,007,434** | 240,195 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*
*At 31 December 2018*
*(Expressed in Renminbi)*

| | *Note* | **31 December 2018** ***RMB'000*** | 31 December 2017 *RMB'000* |
|---|---|---|---|
| **Non-current liability** | | | |
| Deferred tax liabilities | | **22,010** | 22,268 |
| | | **22,010** | 22,268 |
| **NET ASSETS** | | **985,424** | 217,927 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *14* | **556,286** | 398,481 |
| Reserves | | **443,162** | (202,060) |
| Total equity attributable to equity shareholders of the Company | | **999,448** | 196,421 |
| Non-controlling interests | | **(14,024)** | 21,506 |
| **TOTAL EQUITY** | | **985,424** | 217,927 |

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

## 1. ORGANISATION AND PRINCIPAL ACTIVITIES

New Focus Auto Tech Holdings Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region and trading of automobile accessories. The Company and its subsidiaries are collectively referred to as the Group.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at fair value as explained in the accounting policies set out below:

– Investment properties;

– Financial assets at fair value through other comprehensive income; and

– Derivative financial instruments included in convertible bonds.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

### (c) Functional and presentation currency

The financial statements are presented in Renminbi ("**RMB**"), which is the currency of the primary economic environment in which the major entities of the Group operate. The functional currency of the Company is US dollar.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

**Application of new and revised IFRSs – effective on 1st January 2018**

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "**new and revised IFRSs**") issued by the IASB, which are effective for the Group's financial year beginning from 1st January 2018. A summary of the new and revised IFRSs applied by the Group is set out as follows:

| | |
|---|---|
| IAS 28 (Amendments) | As part of the Annual Improvements to IFRSs 2014-2016 Cycle |
| IAS 40 (Amendments) | Transfers of Investment Property |
| IFRS 2 (Amendments) | Classification and Measurement of Share-based Payment Transactions |
| IFRS 4 (Amendments) | Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* |
| IFRS 9 | Financial Instruments |
| IFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| (IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |

Except as described below, the application of the New and Amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the Consolidated Financial Statements.

The above new IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below:

### (a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new IFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below

| **Consolidated statement of financial position (extract)** | **31 December 2017** | **IFRS 9** | **IFRS 15** | **1 January 2018** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | |
| Deferred tax assets | 37,627 | 407 | – | 38,034 |
| **Current assets** | | | | |
| Trade receivables | 161,632 | (1,183) | – | 160,449 |
| Deposits, prepayments and other receivables | 442,264 | (3,336) | – | 438,928 |
| **Current liabilities** | | | | |
| Accruals and other payables | 428,163 | – | (140,413) | 287,750 |
| Contract liabilities | – | – | 140,413 | 140,413 |
| **Reserves** | | | | |
| Reserves | (202,060) | (3,863) | – | (205,923) |
| Non-controlling interests | 21,506 | (249) | – | 21,257 |

**(b) IFRS 9 Financial instruments**

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 4.

*Summary of effects arising from initial application of IFRS 9*

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1st January 2018.

*(i) Classification and measurement*

There is no impact on the Group's accounting for financial liabilities. The Group accounts for the convertible bonds at financial liabilities previously carried at amortised costs remained to be measured at amortised costs under IFRS 9.

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalents, deposit and prepayments for the adoption of IFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

*(ii) Impairment under ECL model*

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and other receivables. Except for those which had been determined as credit impaired under IAS 39, the remaining balances are grouped based on internal credit rating and past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including amounts due from related parties, deposits and other receivables are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition, which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

All loss allowances including trade receivables and other financial assets at amortised cost as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

| | **Deposits, prepayments and other receivables** | **Trade receivables** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| At 31 December 2017 – IAS 39 | 442,264 | 161,632 |
| Remeasurement increase in provision | | |
| Opening accumulated losses | (3,156) | (1,101) |
| Opening non-controlling interest | (180) | (82) |
| At 1 January 2018 | 438,928 | 160,449 |

| | **At 31 December 2017** | **Impact of initial application of IFRS 9** | **At 1 January 2018** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred tax assets | 37,627 | 407 | 38,034 |
| Trade receivables | 161,632 | (1,183) | 160,449 |
| Deposits, prepayments and other receivables | 442,264 | (3,336) | 438,928 |
| Reserves | (202,060) | (3,863) | (205,923) |
| Non-controlling interests | 21,506 | (249) | 21,257 |

**(c) IFRS 15 Revenue from Contracts with Customers**

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 15, prior period comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

| | **IAS 18 carrying amount 31 December 2017** | **Impact of Reclassification** | **IFRS 15 Carrying amount 1 January 2018** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract liabilities | – | 140,413 | 140,413 |
| Accruals and other payables | 428,163 | (140,413) | 287,750 |

IFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under IFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

*Significant Financing Component*

As permitted by practical expedient under IFRS 15, the Group need not adjust the promised amount of consideration for the effects of a significant financing component as the director expected that, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the Group's customer pays for that good or service will be one year or less.

***Amendments to IAS 40 Transfers of Investment Property***

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018/The application of amendments to IAS 40 has resulted in the transfer of certain properties held for sale to investment properties as at 1 January 2018 as a result of the inception of leases instead of the commencement of the leases.

**New and revised IFRSs that have been issued but are not yet effective**

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IAS 1 and IAS 8 (Amendments) | Definition of Material[3] |
| IAS 19 (Amendments) | Plan Amendment, Curtailment or Settlement[1] |
| IAS 28 (Amendments) | Long-term interests in Associates and Joint Ventures[1] |
| IFRS (Amendments) | Annual Improvements to IFRSs 2015-2017 Cycle[1] |
| IFRS 3 (Amendments) | Definition of a business[2] |
| IFRS 9 (Amendments) | Prepayment Features with Negative Compensation[1] |
| IFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| IFRS 16 | Leases[1] |
| IFRS 17 | Insurance Contracts[4] |
| (IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[1] |

1 Effective for annual periods beginning on or after 1st January 2019.

2 Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

3 Effective for annual periods beginning on or after 1st January 2020.

4 Effective for annual periods beginning on or after 1st January 2021.

5 Effective for annual periods beginning on or after a date to be determined.

***IFRS 16 Leases***

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

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

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by IFRS 16.

At 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB569,163,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and revised IFRSs will have a material impact on the Group's financial performance and financial positions.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

### (a) Critical judgments in applying accounting policies

The following is the critical judgement that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recognised in financial statements.

*(i) Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

*(ii) Other intangible assets and amortisation*

The Group determines the estimated useful lives and related amortisation for the Group's other intangible assets. The useful lives of other intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Other intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

### (b) Key sources of estimation uncertainty

Information about assumption and estimation uncertainties that has a significant risk of resulting in a material adjustment in the year ended 31 December 2018 includes the following:

*(i) Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value.

*(ii) Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

*(iii) Provision of ECL for trade receivables*

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

*(iv) Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at the end of each reporting period.

## 5. REVENUE AND SEGMENT INFORMATION

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of goods | **1,378,989** | 942,186 |
| Services income | **413,559** | 325,742 |
| | **1,792,548** | 1,267,928 |

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

| | **2018** |
|---|---|
| | ***RMB'000*** |
| *Recognised at a point in time:* | |
| – Sale of goods | **1,322,195** |
| – Service income | **90,688** |
| | **1,412,883** |
| *Recognised at over time:* | |
| – Sale of goods | **56,794** |
| – Service income | **322,871** |
| Total | **1,792,548** |

### (a) Reportable segment

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

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

Set out below is an analysis of segment information:

| | **The Manufacturing Business** | | **The Wholesale Business** | | **The Retail Service Business** | | **Automobile Dealership and Service Business** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| External revenue | **595,182** | 582,682 | **234,747** | 320,936 | **379,665** | 364,310 | **582,954** | – | **1,792,548** | 1,267,928 |
| Inter-segment revenue | **77** | 200 | **4** | 75 | **–** | – | **–** | – | **81** | 275 |
| Segment revenue | **595,259** | 582,882 | **234,751** | 321,011 | **379,665** | 364,310 | **582,954** | – | **1,792,629** | 1,268,203 |
| Reportable segment results | **3,860** | 14,180 | **(29,218)** | (29,817) | **(52,431)** | (88,195) | **5,206** | – | **(72,583)** | (103,832) |
| Interest income | **740** | 355 | **137** | 1,559 | **451** | 359 | **168** | – | **1,496** | 2,273 |
| Unallocated interest income | | | | | | | | | **60,643** | 2,256 |
| Total interest income | | | | | | | | | **62,139** | 4,529 |
| Interest expenses | **(1,097)** | (1,038) | **–** | – | **(853)** | (269) | **(2,947)** | – | **(4,897)** | (1,307) |
| Unallocated interest expenses | | | | | | | | | **(38,611)** | (46,578) |
| Total interest expenses | | | | | | | | | **(43,508)** | (47,885) |
| Impairment loss on other intangible assets | **–** | – | **–** | – | **–** | (5,302) | **–** | – | **–** | (5,302) |
| Depreciation and amortisation charges | **(11,578)** | (10,664) | **(1,864)** | (3,160) | **(26,985)** | (23,756) | **(4,039)** | – | **(44,466)** | (37,580) |
| Unallocated depreciation and amortisation charges | | | | | | | | | **(1,473)** | (2,337) |
| Total depreciation and amortisation charges | | | | | | | | | **(45,939)** | (39,917) |
| Reportable segment assets | **424,736** | 396,133 | **85,600** | 103,586 | **361,459** | 409,368 | **1,351,099** | – | **2,222,894** | 909,087 |
| Additions to non-current assets | **11,751** | 14,057 | **871** | 3,703 | **26,083** | 40,895 | **15,161** | – | **53,866** | 58,655 |
| Unallocated additions to non-current assets | | | | | | | | | **712** | 3,905 |
| Total additions to non-current assets | | | | | | | | | **54,578** | 62,560 |
| Reportable segment liabilities | **352,558** | 184,562 | **54,230** | 76,139 | **304,113** | 363,633 | **671,177** | – | **1,382,078** | 624,334 |

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

| | 2018 | 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Profit/(Loss) before taxation** | | |
| Reportable segment profit/(loss) | **(72,583)** | (103,832) |
| Unallocated other revenue and gains and losses | **223,521** | (205,143) |
| Unallocated corporate expenses | **(30,558)** | (15,785) |
| Unallocated finance costs | **(38,611)** | (46,578) |
| Consolidated profit/(loss) before taxation | **81,769** | (371,338) |

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Assets:** | | |
| Reportable segment assets | **2,222,894** | 909,087 |
| Unallocated corporate assets | **347,263** | 471,097 |
| Consolidated total assets | **2,570,157** | 1,380,184 |
| **Liabilities:** | | |
| Reportable segment liabilities | **1,382,078** | 624,334 |
| Unallocated corporate liabilities | **202,655** | 537,923 |
| Consolidated total liabilities | **1,584,733** | 1,162,257 |

**(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 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| PRC (Place of domicile) | **1,336,118** | 792,713 | **401,649** | 375,321 |
| America | **402,623** | 422,750 | **–** | – |
| Europe | **19,772** | 23,414 | **–** | – |
| Asia Pacific | **34,035** | 29,051 | **–** | – |
| | **1,792,548** | 1,267,928 | **401,649** | 375,321 |

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

### (d) Major customers

During the year, the Group's customer base is diversified and there was no customer (2017: Nil) with whom transactions exceeded 10% of the Group's revenue.

## 6. OTHER REVENUE AND GAINS AND LOSSES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Fair value change of conversion option | **152,588** | (208,031) |
| Gain on bargain purchase | **13,837** | – |
| Exchange gain/(loss), net | **12,098** | (9,109) |
| Interest income | **62,140** | 4,529 |
| Valuation gains on investment properties | **83** | 2,534 |
| Gross rentals from investment properties and other rental income | **2,431** | 2,198 |
| Loss on disposal of property, plant and equipment | **(1,703)** | (722) |
| Government subsidies | **1,152** | 578 |
| Gain on disposal of subsidiaries | **178** | – |
| Others | **1,199** | 4,452 |
| | **244,003** | (203,571) |

## 7. FINANCE COSTS

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interests on convertible bonds | **33,006** | 39,977 |
| Interests on bank borrowings repayable within five years | **10,502** | 7,908 |
| | **43,508** | 47,885 |

## 8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories* | **1,405,689** | 888,124 |
| Write-down of inventories | **439** | 2,765 |
| | **1,406,128** | 890,889 |
| Depreciation of property, plant and equipment | **43,788** | 37,772 |
| Amortisation of leasehold land and land use rights | **1,069** | 1,069 |
| Amortisation of other intangible assets | **1,082** | 1,076 |
| Total depreciation and amortisation charges | **45,939** | 39,917 |
| Allowance for credit losses on trade receivables, other receivables and related parties | **9,228** | 7,143 |
| Impairment loss on other intangible assets | **–** | 5,302 |
| | **9,228** | 12,445 |
| Auditors' remuneration | | |
| – audit services | **2,930** | 2,000 |
| – other services | **3,750** | – |
| Operating lease charges | **57,659** | 58,312 |
| Employee benefit expenses (including directors' remuneration) | | |
| Salaries and allowances | **270,759** | 269,699 |
| Retirement scheme contributions | **35,290** | 22,694 |
| Equity-settled share-based payments | **–** | 716 |
| Other benefits | **20,691** | 33,230 |
| Total employee benefit expenses | **326,740** | 326,339 |

* Costs of inventories includes RMB61,208,000 (2017: RMB68,901,000) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

## 9. INCOME TAX

**(a)** Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| Provision for the year | **8,923** | 4,269 |
| (Over)/under-provision in respect of prior year | **(4,375)** | 178 |
| | **4,548** | 4,447 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences, net | **23,416** | (5,815) |
| | **27,964** | (1,368) |

**(b)** No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2018 and 2017. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC income tax rate is 25% (2017: 25%) for the year. One major PRC subsidiary of the Company, renewed the qualification of high and new technology enterprise in the PRC, is entitled to a preferential income tax rate of 15% (2017: 15%) for three years from 1 January 2017.

## 10. DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil). No interim dividend was declared in respect of the year ended 31 December 2018 (2017: Nil).

## 11. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the year ended 31 December 2018 is based on the profit attributable to ordinary equity shareholders of the Company of RMB107,833,000 (2017: Loss attributable to ordinary equity shareholders of the Company RMB315,465,000) and the weighted average of 5,870,809,000 ordinary shares (2017: 4,648,954,000) in issue during the year, calculated as follows:

*(i) Weighted-average number of ordinary shares*

| | **2018** | 2017 |
|---|---|---|
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 January | **4,840,772** | 4,576,606 |
| Effect of share options exercised | **–** | 3,326 |
| Effect of conversion of convertible bonds | **7,206** | 69,022 |
| Effect of issuance of ordinary shares | **1,022,831** | – |
| Weighted-average number of ordinary shares at 31 December | **5,870,809** | 4,648,954 |

### (b) Diluted earnings/(loss) per share

For the years ended 31 December 2018 and 2017, basic and diluted earnings/(loss) per share were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.

## 12. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

### (a) Trade receivables

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables, net | **221,238** | 161,632 |

(i) The credit period to the Group's customers ranged from 0 to 360 days.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

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

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current to 30 days | **75,828** | 73,132 |
| 31 to 60 days | **76,308** | 49,084 |
| 61 to 90 days | **18,051** | 22,822 |
| Over 90 days | **68,618** | 30,172 |
| | **238,805** | 175,210 |
| Less: allowance for doubtful debts | **(17,567)** | (13,578) |
| | **221,238** | 161,632 |

### (b) Deposits, prepayments and other receivables

| | 31 December 2018 *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Loan receivables | **196,495** | 367,713 |
| Deposits and prepayments | **120,018** | 36,746 |
| Deposits and prepayments for 4S dealership business | **45,518** | – |
| Advances to employees | **3,563** | 15,748 |
| Value-added tax recoverable | **18,603** | 6,521 |
| Consideration receivables for disposal of a subsidiary | **–** | 3,847 |
| Rebate receivables from suppliers | **85,843** | – |
| Others | **53,429** | 12,639 |
| | **523,469** | 443,214 |
| Less: allowance for doubtful debts | **(6,263)** | (950) |
| | **517,206** | 442,264 |

## 13. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

### (a) Trade payables

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

| | 31 December 2018 *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Current to 30 days | **140,018** | 119,415 |
| 31 to 60 days | **39,870** | 55,976 |
| 61 to 90 days | **38,656** | 17,264 |
| Over 90 days | **97,624** | 50,100 |
| | **316,168** | 242,755 |

The average credit period for the Group's trade creditors is 60 days.

### (b) Accruals and other payables

| | 31 December 2018 *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Receipts in advance | **–** | 140,413 |
| Payroll payable | **34,835** | 23,552 |
| Other taxes payable | **7,766** | 4,486 |
| Receipt in advance from an investor | **–** | 188,975 |
| Others | **141,393** | 70,737 |
| Deposit received for 4S dealership business | **34,144** | – |
| Interest payable | **306** | – |
| | **218,444** | 428,163 |

## 14. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | ***'000*** | ***HK$'000*** | *'000* | *HK$'000* |
| Authorised | | | | |
| Ordinary shares of HK$0.1 each | **10,000,000** | **1,000,000** | 10,000,000 | 1,000,000 |

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Amount** | Number of shares | Amount | Amount |
| | ***'000*** | ***HK$'000*** | ***RMB'000*** | *'000* | *HK$'000* | *RMB'000* |
| Issued and fully paid: | | | | | | |
| At beginning of the year | **4,840,772** | **484,078** | **398,481** | 4,576,606 | 457,661 | 376,184 |
| Conversion of convertible bonds | **–** | **–** | **–** | 253,198 | 25,320 | 21,365 |
| Share issued under share option scheme | **22,102** | **2,210** | **1,919** | 10,968 | 1,097 | 932 |
| Share issued under subscription agreement | **1,904,762** | **190,476** | **155,886** | – | – | – |
| At end of the year | **6,767,636** | **676,764** | **556,286** | 4,840,772 | 484,078 | 398,481 |

## 15. ACQUISITION OF SUBSIDIARIES

On 30 September 2018, the wholly-owned subsidiary of the Group acquired 100% of the issued share capital of Inner Mongolia Chuangying Automobile Co., Ltd. ("**Chuangying**") (內蒙古創贏汽車有限公司) from Inner Mongolia Lifeng Dingshang Auto Co., Ltd ("**Lifeng**") (內蒙古利豐鼎盛汽車有限公司) at total consideration approximately RMB635,219,000. Chuangying is principally engaged in 4S dealership stores and related businesses which included (i) sales of automobile and provision of after-sales services,including primarily repair and maintenance services; and (ii) distribution of automobile insurance products and automobile financial products.

Details of the purchase consideration and the net assets acquired are as follows:

Purchase consideration

| | *RMB'000* |
|---|---|
| Cash paid | 391,006 |
| Offset by other borrowing to the vendor | 244,213 |
| Total purchase consideration | 635,219 |

The assets and liabilities recognised as a result of the acquisition are as follows:

| | **Fair value** |
|---|---|
| | *RMB'000* |
| Property, plant and equipment | 29,890 |
| Deferred tax asset | 4,138 |
| Trade receivables | 23,810 |
| Inventories | 361,751 |
| Prepayments, deposits and other receivables | 174,798 |
| Rebate receivable from suppliers | 74,328 |
| Tax recoverable | 2,082 |
| Amount due from related parties | 650,963 |
| Cash and cash equivalents | 41,205 |
| Trade and bills payables | (56,416) |
| Other payables and accruals | (168,981) |
| Tax payables | (3,834) |
| Amount due to related parties | (91,935) |
| Borrowings | (374,715) |
| Net identifiable assets acquired | 667,084 |
| Less: Non-controlling interest | (18,028) |
| Less: Consideration | (635,219) |
| Bargain purchase | 13,837 |

The acquisition contributed revenues of RMB546,105,000 and net loss of RMB3,800,000 to the Group for the period from 1 October to 31 December 2018. If the acquisition had occurred on 1 January 2018, the pro-forma revenue and loss for the year ended 31 December 2018 would have been RMB2,599,240,000 and RMB31,465,000 respectively. The directors of the Group consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Purchase consideration – cash outflow:

| | *RMB'000* |
|---|---|
| Cash consideration | 391,006 |
| Less: cash and cash equivalents | (41,205) |
| Net outflow of cash | 349,801 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

In 2018, the Group focused on the construction and development of individual automotive service chain networks and automotive product e-commerce platforms. The retail service stores of the Group, which are primarily urban gas stations, provide car owners with automotive cleaning, beauty, maintenance, spraying and repair services, as well as the sales of automotive products. The automotive product e-commerce platform of the Group provides customers with purchase, delivery and warehousing services of automotive repair parts and components and automotive products. The manufacturing business of the Group is principally engaged in the research and development, manufacture and sales of electronic and power-related automotive accessories, and such products are mainly sold to the markets of Mainland China, North America and Europe. On 30 September 2018, the acquisition of certain automotive dealership stores under Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) (the "**Automotive Dealership Business Acquisition**") was completed, which formed a new business segment of the Group. Its principal businesses include the sales of automotives, provision of after-sales service, and the distribution of automotive insurance products and automotive finance products (the "**automotive dealership and services business**").

### Results Highlights

*Revenue*

During the Year, the Group recorded a consolidated revenue of approximately RMB1,792,548,000 (2017: RMB1,267,928,000), representing an increase of approximately 41.38%. The increase was mainly due to the fact that a revenue of approximately RMB546,105,000 was generated from the Group's newly acquired automotive dealership and services business from October to December of the Year. Excluding the effect of the Automotive Dealership Business Acquisition, the consolidated revenue of the Group would have decreased by approximately RMB21,485,000 or approximately 1.69% as compared with 2017.

The consolidated revenue of the Group's retail service business amounted to approximately RMB379,665,000 (2017: RMB364,310,000), representing an increase of approximately 4.21%, which was mainly due to the fact that the new retail service stores opened in 2017 had entered into a maturity development stage.

The consolidated revenue of the wholesale service business of the Group was RMB234,747,000 (2017: RMB320,936,000), representing a decrease of approximately 26.86%. The decrease was due to fierce market competition, resulting in a decline in the sales income of tires and electronic products.

The consolidated revenue of the manufacturing business of the Group was approximately RMB595,182,000 (2017: RMB582,682,000), representing an increase of approximately 2.15%, which was mainly attributable to the sales of newly developed products and the revenue generated from new customers brought by the expansion of domestic and foreign markets.

The consolidated revenue of the Group's automotive dealership and services business was approximately RMB582,954,000 (2017: Nil).

*Gross profit and gross profit margin*

The consolidated gross profit for the Year was approximately RMB250,303,000 (2017: RMB222,355,000), representing an increase of approximately 12.57%. The gross profit margin decreased from 17.54% to 13.96%. The increase in gross profit was mainly attributable to the increase of consolidated gross profit of approximately RMB43,075,000 as a result of the Automotive Dealership Business Acquisition. Excluding the effect of the Automotive Dealership Business Acquisition, the consolidated gross profit of the Group would have decreased by approximately 6.80% as compared with 2017 and the gross profit margin would have decreased to 16.63%.

The gross profit of the Group's retail service business was approximately RMB88,606,000 (2017: RMB73,664,000), representing an increase of approximately 20.28%. Its gross profit margin increased from approximately 20.22% to approximately 23.34%. The increase of both gross profit and gross profit margin was mainly due to the fact that the new retail service stores opened in 2017 had entered into a maturity development stage.

The gross profit of the Group's wholesale service business was approximately RMB17,999,000 (2017: RMB30,529,000), representing a decrease of approximately 41.04%. Its gross profit margin decreased from approximately 9.51% to approximately 7.67%. The decrease in gross profit was mainly due to fact that the revenue of the Year decreased as compared with last year. The decrease in gross profit margin was due to the decline in the gross profit margin of tires and electronic products.

The gross profit of the Group's manufacturing business was approximately RMB97,284,000 (2017: RMB118,162,000), representing a decrease of approximately 17.67%. Its gross profit margin decreased from approximately 20.28% to approximately 16.35%. The decrease in both gross profit and gross profit margin was mainly attributable to the increase in raw material cost and labour cost during the Year and the relatively low gross profit margin of new products.

The gross profit of the Group's automotive dealership and services business was approximately RMB46,414,000 (2017: Nil), and its gross profit margin was approximately 7.96% (2017: Nil).

*Other revenue and gains and losses*

Other revenue for the Year was approximately RMB244,003,000 (2017: a loss of RMB203,571,000). During the Year, due to the fair value change in the embedded derivative financial instruments in relation to the convertible notes in the principal amount of USD35,000,000 due in 2019 (the "**CCBC Convertible Notes**"), which was issued to High Inspiring Limited (the "**Investor**", an indirect wholly-owned subsidiary of China Construction Bank Corporation) on 1 September 2017, the Company recorded a gain due to fair value change in derivative financial instruments of approximately RMB152,588,000 (the "**Gain Due to Fair Value Change in Derivative Financial Instruments for the Year**"). While in 2017, a loss due to fair value change in derivative financial instruments of approximately

RMB208,031,000 was recorded as a result of the CCBC Convertible Notes, making a difference of approximately RMB360,619,000 (the "**Difference in Fair Value Change in Derivative Financial Instruments**") as compared with the Year. In addition, other revenue during the Year included the interests income recorded from providing loans from the Group to Shenzhen Jiahong Group Holding Co., Ltd.* (深圳市佳鴻集團控股有限公司) and Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) and so forth of approximately RMB60,556,000 (the "**Interests Income from Borrowings**") (2017: RMB1,700,000), and the negative goodwill of approximately RMB13,837,000 (2017: Nil) as the consideration of the Automotive Dealership Business Acquisition was lower than the fair value of its net assets.

*Expenses*

The distribution costs for the Year were approximately RMB208,701,000 (2017: RMB184,082,000), representing an increase of approximately 13.37%, which was mainly attributable to the expenses incurred by the Group's newly acquired automotive dealership and services business from October to December 2018 of approximately RMB38,610,000. Excluding the effect of the Automotive Dealership Business Acquisition, the distribution costs for the Year would have decreased by approximately 7.60%, which was mainly due to the strict control of the wages and bonuses for sales personnel by our wholesale service business and the postage pre-paid promotion activities of our e-commerce platform during the Year, which resulted in the decrease of wages and bonuses of RMB5,345,000, and the decrease in transportation fee of RMB4,439,000 in our wholesale service business.

The administrative expenses for the Year were approximately RMB160,169,000 (2017: RMB152,619,000), representing an increase of approximately 4.95%, which was mainly attributable to the expenses incurred by the Group's newly acquired automotive dealership and services business from October to December 2018 of approximately RMB4,377,000, and the payment of legal and professional service fees of approximately RMB13,139,000 in relation to the Automotive Dealership Business Acquisition. Excluding the effect of the Automotive Dealership Business Acquisition, the Group's administrative expenses for the Year would have decreased by approximately 6.53%, which was mainly due to the control of the number of management personnel and the squeeze of administrative expenses by our retail service business during the year.

*Operating profit/(loss)*

The operating profit of the Group for the Year was approximately RMB125,277,000 (2017: a loss of RMB323,453,000), which was mainly attributable to the Gain Due to Fair Value Change in Derivative Financial Instruments for the Year of approximately RMB152,588,000, Interests Income from Borrowings of approximately RMB60,556,000 and the negative goodwill from the Automotive Dealership Business Acquisition of approximately RMB13,837,000.

*Finance costs*

Finance costs for the Year were approximately RMB43,508,000 (2017: RMB47,885,000), representing a decrease of approximately 9.14%. It was mainly attributable to the fact that interest expenses from the convertible notes for the Year decreased as compared with 2017.

*Taxation*

Income tax expenses for the Year were approximately RMB27,964,000 (2017: RMB(1,368,000)). The increase in income tax expenses was mainly attributable to the amortization of deferred income of debit card category sold by Beijing Aiyihang Auto Service Ltd.* (北京愛義行汽車服務有限責任公司), a subsidiary of the Group, resulting in the deferred income tax expenses from the reversal of deferred income tax assets in the Year of approximately RMB25,596,000.

*Profit/(loss) attributable to equity shareholders of the Company*

The profit attributable to equity shareholders of the Company for the Year was approximately RMB107,833,000 (2017: a loss of RMB315,465,000). Excluding the Difference in Fair Value Change in Derivative Financial Instruments of RMB360,619,000, the difference of approximately RMB58,856,000 in the interests income from borrowings as compared with 2017, the negative goodwill of approximately RMB13,837,000 incurred from the Automotive Dealership Business Acquisition, and the impairment provision made to the intangible assets of RMB3,234,000 due to the failure to meet the anticipated operating results by Changchun Guangda Automobile Trading Co., Ltd., a subsidiary of the Group for 2017, the loss attributable to equity shareholders of the Company would have increased by RMB13,248,000 as compared with 2017. The earnings per share for the Year was approximately RMB1.84 cents (2017: loss per share of RMB6.79 cents).

**Financial Position and Liquidity**

The Group continued to maintain a stable financial position during the Year and the liquidity of assets of the Group remained healthy. The Group had a net cash outflow from operating activities of approximately RMB99,251,000 (2017: net cash inflow of RMB26,731,000).

The non-current assets were approximately RMB494,651,000 as at 31 December 2018 (31 December 2017: RMB445,846,000).

The net current assets were approximately RMB512,783,000 as at 31 December 2018 (31 December 2017: net current liabilities of RMB205,651,000).

The gearing ratio as calculated by dividing total liabilities by total assets was approximately 61.66% as at 31 December 2018 (31 December 2017: 84.21%). The decrease in gearing ratio was mainly attributable to the Gain Due to Fair Value Change in Derivative Financial Instruments for the Year.

As at 31 December 2018, the total bank and other borrowings of the Group were approximately RMB552,309,000 (31 December 2017: RMB157,051,000), approximately 4.98% of which were made in United States dollar ("**USD**") and approximately 95.02% were made in RMB. The increase in bank and other borrowings was mainly due to the bank and other borrowings of RMB371,729,000 within the newly acquired automobile dealership and service business. All of the borrowings are repayable within one year and at fixed interest rates. The Group's requirement for borrowings was generally steady during the Year. The Group repaid or renewed the bank borrowings during the Year when they became due. As at 31 December 2018, the committed borrowing facilities available to the Group but unutilized amounted to RMB96,680,000. The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation.

**Capital Structure**

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

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

Assuming that the outstanding principal of the CCBC Convertible Notes of USD24,200,000 is fully converted at an adjusted conversion price of HK$0.280511 per share, subject to the amendments pursuant to the deed of waiver and amendments dated 25 April 2018 (the "**Amendments**") entered into between the Company, the Investor and CDH Fast Two Limited (further details of which were set out in the announcement of the Company dated 25 April 2018), an additional 454,601,375 shares will be issued to the Investor, which would cause the number of issued shares of the Company to increase to 7,222,237,590 shares from 6,767,636,215 shares, while the earnings per share of the Company for the Year will remain the same.

The shareholding structure of the Company (i) as at 31 December 2018 and (ii) immediately after full conversion of the outstanding principal of the CCBC Convertible Notes of USD24,200,000 at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments, is set out below:

| **Name of shareholder** | **As at 31 December 2018** | | **Immediately after full conversion of the outstanding principal of the CCBC Convertible Notes of USD24,200,000 at the adjusted conversion price of HK$0.280511 per share, subject to the Amendments** | |
|---|---|---|---|---|
| | *Number of shares* | *Approximate percentage (%)* | *Number of shares* | *Approximate percentage (%)* |
| CDH Fast Two Limited | 2,889,580,226 | 42.70 | 2,889,580,226 | 40.01 |
| High Inspiring Limited | 266,900,160 | 3.94 | 721,501,535 | 9.99 |
| Fame Mountain Limited | 1,904,761,905 | 28.15 | 1,904,761,905 | 26.37 |
| Other public shareholders | 1,706,393,924 | 25.21 | 1,706,393,924 | 23.63 |
| TOTAL ISSUED SHARES *(Note)* | 6,767,636,215 | 100 | 7,222,237,590 | 100 |

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

As mentioned above, the Group continued to maintain a stable financial position and healthy liquidity of assets. The Group has the ability to meet its redemption obligations under the CCBC Convertible Notes.

In accordance with the subscription agreement dated 21 December 2017 (as amended and supplemented by the supplementary agreement dated 25 April 2018, "**Subscription Agreement**") entered into with Fame Mountain Limited (the "**Subscriber**"), the Company allotted and issued 1,904,761,905 new ordinary shares of HK$0.10 each in the share capital of the Company (the "**Subscription Shares**", and each a "**Subscription Share**") to the Subscriber at the subscription price of HK$0.42 per Subscription Share (the "**Subscription**"). The aggregate nominal value of the Subscription Shares was HK$190,476,190.5. The Subscription was completed on 19 June 2018. The net proceeds from the Subscription, after deducting all related fees and expenses of approximately RMB26,293,000, was approximately RMB629,533,000. The net price of each Subscription Share was approximately HK$0.41. The closing price of the shares of the Company was HK$0.68 on the date of the Subscription Agreement. Further details of the Subscription were set out in the announcements of the Company dated 21 December 2017, 25 April 2018 and 19 June 2018, and the circular of the Company dated 28 May 2018.

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

The Group's retail and wholesale service businesses mainly took place in Mainland China and approximately 80% 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 31 December 2018, the Group's total assets were RMB2,570,157,000 (31 December 2017: RMB1,380,184,000), comprising: (1) share capital of RMB556,286,000 (31 December 2017: RMB398,481,000); (2) reserves of RMB429,138,000 (31 December 2017: RMB(180,554,000)); and (3) debts of RMB1,584,733,000 (31 December 2017: RMB1,162,257,000).

**Financial Guarantees and Pledge of Assets**

As at 31 December 2018, the net book values of inventory, investment properties, property, plant and equipment and leasehold land and land use rights pledged as security for the Group's bank borrowings amounted to approximately RMB398,065,000 (31 December 2017: RMB111,226,000). The increase in pledged assets was mainly due to the pledged assets within the newly acquired automotive dealership and services business of RMB290,441,000.

**Material Acquisition and Disposal of Subsidiaries**

On 2 March 2018, Ningbo Meishan Bonded Port Area Chifeng Investment Management Co., Ltd* (寧波梅山保稅港區馳豐投資管理有限公司), a wholly-owned subsidiary of the Company, as purchaser (the "**Purchaser**"), and Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司), as vendor (the "**Vendor**"), entered into the equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which, the Purchaser agreed to acquire 100% of the equity interests in Inner Mongolia Chuangying Automobile Co., Ltd.* (內蒙古創贏汽車有限公司) wholly owned by the Vendor, and all of the equity interests in 35 operating companies directly or indirectly owned by the Vendor (the "**Acquisition**"). As further negotiated between the Purchaser and the Vendor, both parties agreed not to transfer to the Purchaser the equity interests in three operating companies (namely Inner Mongolia Lifeng Taixin Automobile Service Co., Ltd.* (內蒙古利豐泰鑫汽車服務有限公司), Erdos Tianchi Automobile Sales & Service Co., Ltd.* (鄂爾多斯市天馳汽車銷售服務有限公司) and Erdos Tianwei Automobile Sales & Service Co., Ltd.* (鄂爾多斯市天為汽車銷售服務有限公司)) owned by the Vendor. Therefore, the consideration was reduced from the RMB660,000,000 to RMB635,219,328. The percentage of decrease in the acquisition consideration equals to the shareholders' interests attributable to the Vendor of the above three operating companies as a percentage of the shareholders' interests attributable to the Vendor in aggregate of the 35 operating companies.

Given the total revenue of these three operating companies in 2015, 2016 and 2017 only accounted for 4.14%, 3.97% and 4.53% of the total revenue of the 35 operating companies respectively, these three operating companies in aggregate recorded losses in 2015 and 2016, and the total profit attributable to the Vendor of these three operating companies in 2017 only accounted for 2.71% of the total profit attributable to the Vendor of the 35 operating companies, the Board is of the view that not acquiring the equity interests of the Vendor in these three operating companies was immaterial to the above Acquisition, and there was no substantive impact on the Group in achieving the purposes of the Acquisition.

The Acquisition has been completed on 30 September 2018. Please refer to the announcement of the Company dated 2 March 2018 and the circular of the Company dated 24 August 2018 for more details about the Acquisition.

**Significant Investments**

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

**Exchange Risk**

The Group's retail and wholesale service businesses and the automotive dealership and services business are mainly conducted in the People's Republic of China (the "**PRC**") and their settlement currency is RMB, so there is 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 USD. Most of the materials used to produce those exports were purchased in RMB. The depreciation of USD against RMB would normally adversely affect the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risk by making USD borrowings to lower exchange risk. As at 31 December 2018, the amount of the Group's USD borrowings was approximately USD4,000,000 (31 December 2017: USD4,000,000).

In addition, the principal and interest payable under the CCBC Convertible Notes of approximately USD28,355,000 in 2019 will be paid out of the revenue generated from the export of the Group's manufacturing business. This will help hedge against the exchange risk faced by the Group's manufacturing business.

**Other Material Risks and Uncertainties**

The Group operates its major business in the PRC and faces other material risks and uncertainties, mainly including the future prospect of the PRC's economy. Should the PRC's economy suffer from downturn, the consumption sentiment of car owners will be affected, which will in turn reduce the revenue of the Group. The Group has adopted a development plan of establishing stores within gas stations with strategic partners to reduce its costs. It will pay close attention to the economic trend of the PRC and deal with those risks and uncertainties in a timely manner.

## Contingent Liabilities

As at 31 December 2018, the Group had no significant contingent liabilities.

## Employees and Remuneration Policy

As at 31 December 2018, the Group employed a total of 4,181 full-time employees (31 December 2017: 3,928), of which 627 (31 December 2017: 552) 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 schemes as a long-term incentive scheme of the Group. Details of the share options scheme will be disclosed in the "Report of the Directors" of the Company's 2018 annual 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 emphasizes the importance of staff development and provides training programs on an ongoing basis with reference to its strategic objectives and performance of its staff.

## Environmental Policies and Performance

The Group has been continuously promoting the establishment and improvement of environment related management mechanism and system. Those systems require all the employees of the Group to comply with the applicable environmental laws and regulations in their daily work. The automobile distributions branches and individual after-sales service stores of the Group had obtained the approval from environmental protection authorities prior to commencement of operations and strictly complied with applicable environmental laws and regulations in the subsequent operation to minimize the damages to the environment. The manufacturing business of the Group proactively incorporates the concept of environmental protection into the design and production process of the products, aiming at providing energy-saving and environmentally friendly products to our customers. The Group encourages its employees to save energy and treasure resources.

## Compliance with Laws and Regulations

During the Year, the Group has in all material respects complied with the relevant laws and regulations that have a significant impact on the operations of the Group which cover various aspects such as labor, fire prevention, environmental protection and products liability, including, but not limited to, the Law of Environmental Protection of the People's Republic of China (中華人民共和國環境保護法), the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法), the Law of Prevention and Control of Environmental Noise Pollution of the People's Republic of China (中華人民共和國環境噪聲污染防治法), the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法), the Law on Product Quality of the People's Republic of China (中華人民共和國產品質量法), the Law on Trademark of the People's Republic of China (中華人民共和國商標法), the Law on Advertising of the People's Republic of China (中華人民共和國廣告法) and the Listing Rules.

**Relationship with Employees, Customers and Suppliers**

The Group attaches great importance to its relationships with its employees, customers, suppliers and other relevant parties since such relationships are the core element for the Group's sustainable development. The Group adheres to the principle of legality, fairness, reasonableness and mutual benefit in its daily operation and duly handles its relationships with its employees, customers, suppliers and other relevant parties.

**Industrial Development, Business Progress and Outlook**

According to the statistics of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in the PRC was approximately 23.71 million for the Year, representing a decrease of approximately 4.08% as compared with 2017. Based on the analysis of China Association of Automobile Manufacturers, the domestic automobile industry was under great pressures in 2018 and the sales volume of passenger vehicles was lower than that was expected at the beginning of the Year, which was mainly due to factors including full withdrawal of preferential policies for automobile purchase tax, diminishing macro economy growth and the Sino-US trade war. The number of passenger vehicles licensed during 2018 in Inner Mongolia Autonomous Region reached approximately 338,000, representing a decrease of approximately 19.3% as compared to last year.

The automobile industry in the PRC is still at the stage of popularization and there is still ample room for growth in the retention of passenger vehicles. Based on the statistics of the Ministry of Public Security of the PRC, the number of retained small passenger cars in the PRC has exceeded 200 million at the end of 2018. The considerable number of retained vehicles provided a great development opportunity for the Group's individual after-sales service chain stores and wholesale business of automotive products.

Along with the 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 of vehicles) has been increasing. Many vehicle owners have shifted to individual automotive after-sales service chain networks and e-commerce platforms for alternative maintenance and repair solutions that are more economical, reliable and secure. Currently, other than the large-scale 4S dealership groups and small-scale individual stores, large-scale economical automotive after-sales chain networks are very scarce in the market. The strong demand for such economical chain networks in the market is materially similar to the consumption demand for budget hotel chains in the hospitality industry and for fast-food chains in the food and beverage industry in the PRC market. In mature markets, such as the United States and Japan, their development history of large-scale individual after-sales chain networks has also proven this development trend. The Group will continue to maintain our position of developing reasonably priced products, our operations of branded chains and our principles of standardized and customized servicing, and gradually increase the number of our individual after-sales service chain stores and branding influence of the Group.

In the meantime, there are more than 300,000 individual small after-sales stores in the PRC market, of which the parts and accessories required in the maintenance and repair business still rely on the traditional dealership system and the distribution model in automotive parts malls, and the efficiency of supply chains is relatively low. For regular maintenance parts and accessories and modification products, there is a significant need for comprehensive one-stop suppliers for these small after-sales stores to address the currently low efficiency of scattered supply chains. We consider that online product search and ordering, integrated categories of products and optimized one-stop storage and delivery are the main solutions to the problems in the supply of automotive parts and accessories to those small-scale after-sales stores. In the B2B field, the Group will provide one-stop parts and accessories wholesale and delivery service to those small-scale stores through ordering via computers and mobile devices on the "Auto Make" e-commerce platform.

As at 31 December 2018, the Group had a total of 33 automobile distribution branches (2017: Nil), 233 individual after-sales service stores (2017: 227), nine wholesale service branches (2017: nine) and two manufacturing factories (2017: two).

*Automobile Dealership and Services Business of the Group*

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

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

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

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

Thirdly, we improved the operation method and business model of second-hand automobile business and automotive product business, so as to generate more underlying business revenue.

It is estimated that the automobile dealership industry will still remain under great pressure in the short run. To improve the operating results, the Group intends to adopt the following operating strategies in 2019:

Firstly, we will continue to optimize the structure of automotive brands under dealership of the Group to be in line with the trend of consumption upgrade in automobiles by introducing premium vehicles brands, such as Volvo, and midrange automotive brands featuring market potential.

Secondly, we will modify the design of retail products portfolio and the usage of marketing approach of differentiation during sales process. For after-sales service, we will enhance the management and development of existing customer resources and refine and control the after-sales business process to improve customer satisfaction.

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

*The Group's Individual Automobile After-sales Service and Automotive Products Wholesale Business*

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

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

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

*The Group's Manufacturing Business*

The foreign trade business classified existing markets and customers, and optimized the current customer base. However, influenced by currency fluctuations, adjustment of tariff and higher price of materials, the gross margin fell short of expectations. For domestic trade business, product structure has been further adjusted, which increased the sales proportion of own brand products. In addition, the strategic layout of the pre-installed new energy market has achieved initial success with steady business progress.

The Group's manufacturing business will continue adhering to its customer-oriented and product innovation-driven market strategies, increasing investment in research and development and manufacturing capability improvement, and enhancing market competitiveness. For foreign trade business, we will continue to optimize the customer and product structures, with an aim to improving the overall gross profit level. For domestic trade business, the market share of core products will be enhanced by strengthening the operation and management strategies of own brand construction improvement, product structure organization and product manager system establishment. In the pre-installation market, it will continue to be driven by customer needs with major development in new energy pre-installation business, all-in-one high-performance digital power products and expansion of numbers of specified first-tier automaker customers.

*Financing and Acquisition*

While developing the Group's own business, the management also invested plenty of resources in exploring financing and acquisition opportunities in a bid to accelerate the expansion of the Group and enhance the Company's value in the capital market. In June 2018, the Group completed the issuance of new shares with a subscription amount of HK$800 million, which expanded the shareholder base of the Company and raised funds for the acquisition by the Group. In September 2018, the Group completed the acquisition of certain automobile dealership branches of Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司), which expanded the business scope of the Group and substantially increased the Group's operating revenue.

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

## CORPORATE GOVERNANCE

The Board believes that good corporate governance practice is the key to business growth and management of the Group. The Company has applied the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the Year. In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the Year.

## 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 Year.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises a total of three members, being two independent non-executive Directors, namely, Mr. Hu Yuming and Mr. Lin Lei, and one non-executive Director, namely, Mr. Wang Zhenyu. The chairman of the Audit Committee is Mr. Hu Yuming who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has reviewed the Group's consolidated financial statements for the Year in conjunction with the Company's external auditors, HLB Hodgson Impey Cheng Limited, Certified Public Accountants ("**HLB**"). The financial information set out in this announcement represents an extract from these consolidated financial statements.

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2017: Nil).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the Year, the Company did not repurchase any ordinary shares of the Company on the Stock Exchange under the general mandate granted at the annual general meeting of the Company held on 29 June 2018, and there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on 28 June 2019 and the notice of annual general meeting will be published and despatched in accordance with the requirements under the Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 25 June 2019 to 28 June 2019 (both days inclusive), during which no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 24 June 2019.

## SCOPE OF WORK OF HLB

The figures in respect of the preliminary announcement of the Group's results for the Year have been compared by HLB to the amounts set out in the Group's audited financial statements for the Year and the amounts were found to be in agreement. The work performed by HLB in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
**New Focus Auto Tech Holdings Limited**
**Du Jinglei**
*Chairman*

Hong Kong, 29 March 2019

*As at the date hereof, the Directors of the Company are: executive Director – DU Jinglei; non-executive Directors – WANG Zhenyu and ZHANG Jianxing; and independent non-executive Directors – HU Yuming, LIN Lei and ZHANG Xiaoya.*

* *For identification purposes only*