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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of New Focus Auto Tech Holdings Limited (the "**Company**") dated 31 March 2020 (the "**Announcement**") in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement. The differences between the unaudited annual results for the Year set out in the Announcement and the audited consolidated results for the Year set out in this announcement have been set out in the section headed "Differences Between Unaudited and Audited Annual Results" in this announcement.

The Board hereby announces the audited consolidated results of the Group for the Year together with the comparative figures for the previous year as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000 (Restated)
Continuing operations:			
Revenue	5	**1,750,632**	1,412,883
Cost of sales and services		**(1,610,550)**	(1,252,705)
Gross profit		**140,082**	160,178
Other revenue and gains and losses, net	6	**4,153**	244,653
Distribution costs		**(169,649)**	(122,477)
Administrative expenses		**(118,546)**	(106,858)
Finance costs	7	**(63,390)**	(42,655)
Share of loss of an associate		**–**	(159)
(Loss)/profit before taxation from continuing operations	8	**(207,350)**	132,682
Income tax credit/(expense)	9	**33,804**	(2,314)
(Loss)/profit for the year from continuing operations		**(173,546)**	130,368
Discontinued operation			
Loss for the year from discontinued operations, net of income tax		**(35,667)**	(76,563)
(Loss)/profit for the year		**(209,213)**	53,805
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(4,427)**	20,190
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		**(8,016)**	30,933
Other comprehensive (loss)/income for the year, net of tax		**(12,443)**	51,123
Total comprehensive (loss)/income for the year		**(221,656)**	104,928

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2019

	Note	2019 *RMB'000*	2018 *RMB'000* (Restated)
(Loss)/profit for the year attributable to			
Equity shareholders of the Company			
– from continuing operations		**(159,947)**	146,038
– from discontinued operations		**(31,161)**	(38,205)
		(191,108)	107,833
Non-controlling interests			
– from continuing operations		**(13,599)**	(15,670)
– from discontinued operations		**(4,506)**	(38,358)
		(18,105)	(54,028)
		(209,213)	53,805
Total comprehensive (loss)/income attributable to			
Equity shareholders of the Company			
– from continuing operations		**(172,390)**	197,161
– from discontinued operations		**(31,161)**	(38,205)
		(203,551)	158,956
Non-controlling interests			
– from continuing operations		**(13,599)**	(15,670)
– from discontinued operations		**(4,506)**	(38,358)
		(18,105)	(54,028)
		(221,656)	104,928
(Loss)/earnings per share:	*11*		
Basic and diluted (RMB cents)			
– from continuing operations		**(2.36)**	2.49
– from discontinued operations		**(0.46)**	(0.65)
– from continuing and discontinued operations		**(2.82)**	1.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in Renminbi)

	Note	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**104,762**	234,588
Right-of-use assets		**130,262**	–
Leasehold land and land use rights		**–**	28,083
Investment properties		**48,639**	46,481
Goodwill		**–**	43,919
Other intangible assets		**2,663**	48,578
Amounts due from related parties		**–**	24,262
Deferred tax assets		**42,866**	18,498
Financial assets at fair value through other comprehensive income		**36,216**	44,232
Other non-current assets		**–**	6,010
		365,408	494,651
Current assets			
Inventories		**202,808**	516,886
Tax recoverable		**1,479**	2,400
Trade receivables	*12*	**146,541**	221,238
Deposits, prepayments and other receivables	*12*	**1,119,238**	517,206
Amounts due from related parties		**37,060**	678,816
Pledged time deposits		**–**	4,500
Cash and cash equivalents		**64,697**	134,460
		1,571,823	2,075,506
Current liabilities			
Bank and other borrowings, secured		**489,982**	552,309
Trade payables	*13*	**238,927**	316,168
Accruals and other payables	*13*	**181,787**	218,444
Contract liabilities		**82,016**	214,320
Amount due to related parties		**–**	66,523
Lease liabilities		**12,329**	–
Tax payable		**4,106**	12,439
Convertible bonds		**–**	182,520
		1,009,147	1,562,723
Net current assets		**562,676**	512,783
Total assets less current liabilities		**928,084**	1,007,434

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2019
(Expressed in Renminbi)

	Note	**31 December 2019** ***RMB'000***	31 December 2018 *RMB'000*
Non-current liabilities			
Lease liabilities		**105,630**	–
Deferred tax liabilities		**10,855**	22,010
		116,485	22,010
NET ASSETS		**811,599**	985,424
CAPITAL AND RESERVES			
Share capital	*14*	**556,286**	556,286
Reserves		**239,611**	443,162
Total equity attributable to equity shareholders of the Company		**795,897**	999,448
Non-controlling interests		**15,702**	(14,024)
TOTAL EQUITY		**811,599**	985,424

NOTES TO THE CONSOLIDATED 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 trading of automobile accessories and operating the 4S dealership stores and related business. The Company and its subsidiaries are collectively referred to as the Group.

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

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 2019 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRSs (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatment

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessor

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(iii) relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination option.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.61% to 4.83%.

The following table reconciles the operating lease commitment as disclosed in annual report as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	As at 1 January 2019 *RMB'000*
Operating lease commitment disclosed as at 31 December 2018	569,163
Lease liabilities discounted at relevant incremental borrowing rates	438,067
Less: Lease cancelation	(204,269)
Less: Recognition exemption – short-term leases	(3,877)
Lease liabilities as at 1 January 2019	229,921
Analysed as:	
Current	46,708
Non-current	183,213
Lease liabilities as at 1 January 2019	229,921

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 1 January 2019.

The carrying amount of right-of-use assets as at 1 January 2019 comprise the following:

	As at 1 January 2019 *RMB'000*
Right-of-use assets relating to operation lease recognised upon application of IFRS 16	229,921
Add: reclassification from leasehold land and land use rights	28,083
	258,004
By class:	
Rental premises	229,921
Leasehold land and land use right	28,083
	258,004

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the charges have not been included.

Consolidated Statement of Financial Position (extracted)	**Carrying amount previously reported at 31 December 2018**	**Reclassification**	**Adjustments**	**Carrying amount under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Right-of-use assets *(note 1)*	–	28,083	229,921	258,004
Leasehold land and land use rights *(note 2)*	28,083	(28,083)	–	–
Current liabilities				
Lease liabilities	–	–	46,708	46,708
Non-current liabilities				
Lease liabilities	–	–	183,213	183,213

Note:

(1) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets of RMB229,921,000 and lease liabilities of RMB229,921,000 at the initial adoption of IFRS 16.

(2) Upfront payments for leasehold land and land use rights in the PRC own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of IFRS 16, the prepaid land lease payments amounting of RMB28,083,000 were classified to right-of-use assets.

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

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

IAS 1 and IAS 8 (Amendments)	Definition of Material[1]
IFRS 3 (Amendments)	Definition of a Business[2]
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of Assets between an Investor and it Associate or Joint Venture[4]
IFRS 17	Insurance Contracts[3]
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to IFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 amortization

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 2019 includes the following:

(i) Impairment assessment of plant and equipment and right-of-use assets

The Group reviews its plant and equipment and right-of-use assets for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(ii) Impairment assessment 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.

(iii) 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.

(iv) Allowance for expected credit losses recognised in respect for the financial assets

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables, other receivables, loan receivables, deposit and prepayment and amounts due from related parties is disclosed in notes 23(a), 23(b), 34(b) and 40(a) to the financial statements, respectively.

(v) PRC corporate income taxes and deferred taxation

The Company's subsidiaries that operate in the PRC are subject to income tax in the PRC. Management judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(vi) Fair value measurement of financial asset at FVTOCI

The fair value measurement of financial asset at FVTOCI were categorised within Level 3 of the fair value hierarchy, which required significant judgments and estimates by considering factors including market conditions. The fair value of the financial asset at FVTOCI will be revised upward or downward where future performance are different from previous forecast. The fair value of the financial asset at FVTOCI and corresponding significant unobservable input of the valuation are disclosed in note 41(b).

(vii) Provision for inventories

The Group reviews the carrying amounts of the inventories at the respective balance sheet dates to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories writedown or the related reversals of write-down and affect the Group's net asset value.

5. REVENUE AND SEGMENT INFORMATION

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

Continuing operations:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Recognised at a point in time:		
Sales of goods	**1,528,631**	1,322,195
Services income	**222,001**	90,688
	1,750,632	1,412,883

(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.

Continuing operations

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

During the year ended 31 December 2019, the segment of provision of automobile repair maintenance and restyling services (the "**Retail Service Business**") was discontinued.

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

Set out below is an analysis of segment information:

	Continuing operations								Discontinued operation			
	The Manufacturing Business		The Wholesale Business		Automobile Dealership and Service Business		Sub-total		The Retail Service Business		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
External revenue	**468,050**	595,182	**61,285**	234,747	**1,221,297**	582,954	**1,750,632**	1,412,883	**195,815**	379,665	**1,946,447**	1,792,548
Inter-segment revenue	**–**	77	**–**	4	**–**	–	**–**	81	**–**	–	**–**	81
Segment revenue	**468,050**	595,259	**61,285**	234,751	**1,221,297**	582,954	**1,750,632**	1,412,964	**195,815**	379,665	**1,946,447**	1,792,629
Reportable segment results	**(34,091)**	3,860	**(15,020)**	(29,218)	**(112,684)**	5,206	**(161,795)**	(20,152)	**(35,279)**	(52,431)	**(197,074)**	(72,583)
Interest income	**1,995**	740	**32**	137	**604**	168	**2,631**	1,045	**95**	451	**2,726**	1,496
Unallocated interest income							**1,110**	60,644			**1,110**	60,644
Total interest income							**3,741**	61,689	**95**	451	**3,836**	62,140
Interest expenses	**(1,142)**	(1,097)	**(102)**	–	**(23,835)**	(2,947)	**(25,079)**	(4,044)	**(6,607)**	(853)	**(31,686)**	(4,897)
Unallocated interest expenses							**(38,311)**	(38,611)			**(38,311)**	(38,611)
Total interest expenses							**(63,390)**	(42,655)			**(69,997)**	(43,508)
Impairment loss on goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**(19,967)**	–	**(19,967)**	–
Depreciation and amortisation charges	**(15,037)**	(11,578)	**(2,788)**	(1,864)	**(13,234)**	(4,039)	**(31,059)**	(17,481)	**(54,960)**	(26,985)	**(86,019)**	(44,466)
Unallocated depreciation and amortisation charges							**(2,677)**	(1,473)			**(2,677)**	(1,473)
Total depreciation and amortisation charges							**(33,736)**	(18,954)	**(54,960)**	(26,985)	**(88,696)**	(45,939)
Reportable segment assets	**322,070**	424,736	**41,026**	85,600	**1,164,724**	1,351,099	**1,527,820**	1,861,435	**–**	361,459	**1,527,820**	2,222,894
Additions to non-current assets	**17,044**	11,751	**592**	871	**15,738**	15,161	**33,374**	27,783	**4,013**	26,083	**37,387**	53,866
Unallocated additions to non-current assets							**7**	712			**7**	712
Total additions to non-current assets							**33,381**	28,495			**37,394**	54,578
Reportable segment liabilities	**350,332**	352,558	**25,142**	54,230	**562,566**	671,177	**938,040**	1,077,965	**–**	304,113	**938,040**	1,382,078

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

Continuing operations:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Loss before taxation		
Reportable segment loss	**(161,795)**	(20,152)
Unallocated other revenue and gains and losses, net	**17,210**	222,003
Unallocated corporate expenses	**(24,454)**	(30,558)
Unallocated finance costs	**(38,311)**	(38,611)
Consolidated (loss)/profit before taxation	**(207,350)**	132,682

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**1,527,820**	2,222,894
Unallocated corporate assets	**409,411**	347,263
Consolidated total assets	**1,937,231**	2,570,157
Liabilities:		
Reportable segment liabilities	**938,040**	1,382,078
Unallocated corporate liabilities	**187,592**	202,655
Consolidated total liabilities	**1,125,632**	1,584,733

For the purposes of resource allocation and performance assessment between segments:

- all expenses are allocated to reportable segments, other than partial administrative expense and partial other operating expenses; and
- all assets are allocated to reportable segments, other than partial deposit, prepayment and other receivables, partial cash and bank balance, partial property, plant and equipment, amount due from related parties, partial right-of-use assets and financial assets at FVTOCI; and
- all liabilities are allocated to reportable segments, other than partial bank and other borrowings, partial accruals and other payables and partial lease liabilities and non-current lease liabilities.

(c) **Geographical information**

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

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
PRC (Place of domicile)	**1,400,043**	956,453	**286,326**	401,649
America	**299,446**	402,623	**–**	–
Europe	**17,381**	19,772	**–**	–
Asia Pacific	**33,762**	34,035	**–**	–
	1,750,632	1,412,883	**286,326**	401,649

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 (2018: Nil) with whom transactions exceeded 10% of the Group's revenue.

6. OTHER REVENUE AND GAINS AND LOSSES, NET

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Fair value change of conversion option	**13,624**	152,588
Gain on bargain purchase	**–**	13,837
Exchange gain, net	**2,021**	12,098
Interest income	**3,741**	61,689
Fair value gains on investment properties	**2,158**	83
Gross rentals from investment properties and other rental income	**3,072**	2,455
Gain/(loss) on disposal of property, plant and equipment	**573**	(777)
Government subsidies	**3,486**	1,122
Written-off of other receivable	**(15,000)**	–
Provision of financial guarantee	**(10,171)**	–
Others	**649**	1,558
	4,153	244,653

7. FINANCE COSTS

	2019 *RMB'000*	2018 *RMB'000* (Restated)
Continuing operations:		
Interests on convertible bonds	**24,298**	33,006
Interests on bank and other borrowings within five years	**33,605**	9,649
Interests on lease liabilities	**5,487**	–
	63,390	42,655

8. (LOSS)/PROFIT BEFORE TAXATION

Continuing operations:

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

	2019 *RMB'000*	2018 *RMB'000* (Restated)
Cost of inventories*	**1,609,971**	1,252,266
Write-down of inventories	**579**	439
	1,610,550	1,252,705
Depreciation of property, plant and equipment	**22,812**	18,460
Depreciation of right-of-use assets	**10,924**	–
Amortisation of leasehold land and land use rights	**–**	494
Allowance for credit losses on trade receivables, other receivables and amounts due from related parties	**16,044**	9,131
Written-off of other receivables	**15,000**	–
Provision of financial guarantee	**10,171**	–
Auditors' remuneration		
– audit services	**2,930**	2,930
– other services	**–**	3,750
Operating lease charges	**–**	12,839
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**152,645**	128,999
Retirement scheme contributions	**19,057**	19,268
Other benefits	**2,363**	12,250
Total employee benefit expenses	**174,065**	160,517

* Costs of inventories includes RMB46,422,000 (2018: RMB61,208,000) 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) Income tax (credit)/expenses in the consolidated statement of profit or loss and other comprehensive income represents:

	2019	2018
	RMB'000	*RMB'000*
Current Tax		
Provision for the year	**10,506**	8,923
Over-provision in respect of prior year	**(12,236)**	(4,375)
	(1,730)	4,548
Deferred tax		
Origination and reversal of temporary differences, net	**(31,685)**	23,416
	(33,415)	27,964
Continuing operations	**(33,804)**	2,314
Discontinued operations	**389**	25,650
	(33,415)	27,964

(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 2019 and 2018. 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% (2018: 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% (2018: 15%) for three years from 1 January 2018.

10. DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil). No interim dividend was declared in respect of the year ended 31 December 2019 (2018: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Continuing and discontinued operations

The computation of the basic loss per share amount from continuing and discontinued operations are based on the loss for the year attributable to ordinary equity holders of the Company from continuing and discontinued operations of RMB191,108,000 (2018: profit attributable to ordinary equity shareholder of the Company RMB107,833,000) and the weighted average number of ordinary shares of 6,767,636,000 (2018: 5,870,809,000) during the year.

For the years ended 31 December 2019 and 2018, basic and diluted (loss)/earnings per share from continuing and discontinued operations were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.

Continuing operations

The computation of the basic loss per share amount from continuing operations are based on the loss for the year attributable to ordinary equity holders of the Company from continuing operations of RMB159,947,000 (2018: profit attributable to ordinary equity shareholder of the Company RMB146,038,000) and the weighted average number of ordinary shares of 6,767,636,000 (2018: 5,870,809,000) during the year.

For the years ended 31 December 2019 and 2018, basic and diluted (loss)/earnings per share from continuing operations were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.

Discontinued operation

The computation of the basic loss per share amount from discontinued operation are based on loss for the period attributable to ordinary equity holders of the Company from discontinued operations of RMB31,161,000 (2018: RMB38,205,000) and the weighted average number of ordinary shares of 6,767,636,000 (2018: 5,870,890,000) during the year.

For the years ended 31 December 2019 and 2018, basic and diluted (loss)/earnings per share from discontinued operation 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 2019	31 December 2018
	RMB'000	*RMB'000*
Trade receivables	**147,932**	238,805
Less: allowance for credit losses	**(1,391)**	(17,567)
	146,541	221,238

(i) The credit period to the Group's customers ranged from 0 to 360 days (2018: 0 to 360 days).

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Current to 30 days	**52,102**	75,828
31 to 60 days	**33,439**	76,308
61 to 90 days	**12,278**	18,051
Over 90 days	**50,113**	68,618
	147,932	238,805
Less: allowance for credit losses	**(1,391)**	(17,567)
	146,541	221,238

(b) Deposits, prepayments and other receivables

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Loan receivables	**200,585**	196,495
Deposits and prepayments	**121,927**	120,018
Deposits and prepayments for 4S dealership business	**28,774**	45,518
Advances to employees	**109**	3,563
Value-added tax recoverable	**11,364**	18,603
Rebate receivables from suppliers	**64,019**	85,843
Others	**719,763**	53,429
	1,146,541	523,469
Less: allowance for credit losses	**(27,303)**	(6,263)
	1,119,238	517,206

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 2019 *RMB'000*	31 December 2018 *RMB'000*
Current to 30 days	**135,245**	140,018
31 to 60 days	**18,268**	39,870
61 to 90 days	**13,474**	38,656
Over 90 days	**71,940**	97,624
	238,927	316,168

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

(b) Accruals and other payables

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Payroll payable	**20,111**	34,835
Other taxes payable	**12,595**	7,766
Others	**113,493**	141,393
Deposit received for 4S dealership business	**17,312**	34,144
Interest payable	**8,105**	306
Financial guarantee liabilities	**10,171**	–
	181,787	218,444

14. SHARE CAPITAL

	2019		2018	
	Number of shares *'000*	**Amount** *HK$'000*	Number of shares *'000*	Amount *HK$'000*
Authorised				
Ordinary shares of HK$0.1 each	**10,000,000**	**10,000,000**	10,000,000	10,000,000

	2019			2018		
	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	**6,767,636**	**676,764**	**556,286**	4,840,772	484,078	398,481
Conversion of convertible bonds	**–**	**–**	**–**	22,102	2,210	1,919
Share issued under subscription agreement *(Note)*	**–**	**–**	**–**	1,904,762	190,476	155,886
At end of the year	**6,767,636**	**676,764**	**556,286**	6,767,636	676,764	556,286

Note: On 19 June 2018, the Company issued the subscription shares to Fame Mountain Limited of 1,904,761,905 of par value HK$0.10 each at issue price of HK$0.42 for total consideration, before expenses, of HK$800,000,000.

15. SUBSEQUENT EVENTS

(i) The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. Since early January 2020, the coronavirus outbreak has spread across mainland China and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under IFRS 9 in 2020.

(ii) Litigation case:

Payments owed to the creditor Du Zhiqiang ("Plaintiff 1")

On 17 April 2020, the Plaintiff 1 submitted an application for enforcement to the People's Court of Kundulun District, Baotou City, in which it was claimed that the respondent only repaid the loan of RMB3,000,000 according to the mediation letter, while the remaining loan principal and interest were not repaid. The People's Court of Kundulun District, Baotou City issued the Execution Notice (2020) Nei 0203 Zhi No.827 on 29 April 2020, which the defendant and Inner Mongolia Chuangying Automobile Co., Ltd., as one of the guarantors, were ordered to perform the following obligations:

(i) paying approximately RMB14,946,000 together with the interest to the Plaintiff 1

(ii) paying twice of the debt interest during the delayed performance period to the Plaintiff 1

(iii) paying the case acceptance fee and security fee of RMB600,000 as well as execution fee of RMB82,000

Payments owed to the creditor Yi Teng ("Plaintiff 2")

On 14 April 2020, the Plaintiff 2 submitted an application for enforcement to the People's Court of Huimin District, Hohhot City. The People's Court of of Huimin District, Hohhot City issued the Execution Ruling under (2020) Nei 0103 Zhi No.591-1 on 27 April 2020 with the following rulings:

(i) freezing the equity interests in Inner Mongolia Lifeng Taidi Automobile Service Co., Ltd.* (內蒙古利豐泰迪汽車服務有限公司) held by Inner Mongolia Chuangying Automobile Co., Ltd. (capped at RMB2,834,000).

(ii) freezing the equity interests in Inner Mongolia Lifeng Taixiang Automobile Service Co., Ltd.* (內蒙古利豐泰祥汽車服務有限公司) held by Inner Mongolia Chuangying Automobile Co., Ltd. (capped at RMB2,834,000).

16. COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods design, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3 to consolidated financial statements.

The comparative statement of profit or loss has been restated as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

As the financial information included in the unaudited annual results announcement has not been audited and agreed by the Company's external auditors HLB Hodgson Impey Cheng Limited, Certified Public Accountants ("**HLB**") as of the date of issuance but subsequent adjustments were made to such financial information, the shareholders and potential investors of the Company should be reminded that there are certain differences between the unaudited annual results and the audited annual results of the Group. Major details and reasons for the differences between these financial information are set out below, as required under the Rule 13.49(3)(ii)(b) of the Listing Rules.

	Note	**31 December 2019** *RMB'000* **(Unaudited)**	**31 December 2019** *RMB'000* **(Audited)**	**Change** *RMB'000*
Continuing operations				
Other revenue and gains and losses, net	*1*	**14,324**	**4,153**	**(10,171)**
Administrative expenses	*2*	**(115,827)**	**(118,546)**	**(2,719)**
Loss before taxation from continuing operations	*5*	**(194,460)**	**(207,350)**	**(12,890)**
Loss for the year from continuing operations	*5*	**(160,656)**	**(173,546)**	**(12,890)**
Discontinued operation				
Loss for the year from discontinued operations	*3*	**(31,161)**	**(35,667)**	**(4,506)**
Loss for the year	*5*	**(191,817)**	**(209,213)**	**(17,396)**
Total comprehensive loss for the year	*5*	**(204,260)**	**(221,656)**	**(17,396)**
Loss for the year attributable to				
Equity shareholders of the Company				
– from continuing operations	*5*	**(147,057)**	**(159,947)**	**(12,890)**
– from discontinued operations	*5*	**(25,532)**	**(31,161)**	**(5,629)**
	5	**(172,589)**	**(191,108)**	**(18,519)**
Non-controlling interests				
– from continuing operations		**(13,599)**	**(13,599)**	**–**
– from discontinued operations	*5*	**(5,629)**	**(4,506)**	**1,123**
	5	**(19,228)**	**(18,105)**	**1,123**
	5	**(191,817)**	**(209,213)**	**(17,396)**

	Note	31 December 2019 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	Change RMB'000
Total comprehensive loss attributable to				
Equity shareholders of the Company				
– from continuing operations	5	**(159,500)**	**(172,390)**	**(12,890)**
– from discontinued operations	5	**(25,532)**	**(31,161)**	**(5,629)**
	5	**(185,032)**	**(203,551)**	**(18,519)**
Non-controlling interests				
– from continuing operations		**(13,599)**	**(13,599)**	**–**
– from discontinued operations	5	**(5,629)**	**(4,506)**	**1,123**
	5	**(19,228)**	**(18,105)**	**1,123**
	5	**(204,260)**	**(221,656)**	**(17,396)**
Loss per share:				
Basic and diluted (RMB cents)				
– from continuing operations	5	**(2.17)**	**(2.36)**	**(0.19)**
– from discontinued operations	5	**(0.38)**	**(0.46)**	**(0.08)**
– from continuing and discontinued operations	5	**(2.55)**	**(2.82)**	**(0.27)**
Non-current assets				
Amount due from related parties	4	**24,262**	**–**	**(24,262)**
	4	**389,670**	**365,408**	**(24,262)**
Currents assets				
Trade receivables	2	**146,661**	**146,541**	**(120)**
Deposits, prepayments and other receivables	2	**1,121,088**	**1,119,238**	**(1,850)**
Amount due from related parties	2, 4	**13,547**	**37,060**	**23,513**
	5	**1,550,280**	**1,571,823**	**21,543**

	Note	31 December 2019 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)	Change *RMB'000*
Current liabilities				
Accruals and other payables	*1*	**171,616**	**181,787**	**10,171**
	1	**998,976**	**1,009,147**	**10,171**
Capital and reserves				
Reserves	*5*	**252,501**	**239,611**	**(12,890)**
Total equity attributable to equity shareholders of the Company	*5*	**808,787**	**795,897**	**(12,890)**
Total Equity	*5*	**824,489**	**811,599**	**(12,890)**

Notes:

1. The changes relate to the provision for the fair value loss recognised in the professional valuation report.

2. The changes relate to the provision for the expected credit loss recognised for financial assets.

3. The changes relate to the correction of miscalculation.

4. The changes relate to the reclassification made in accordance with the maturity of the amounts.

5. The changes relate to the consequential changes arising from the above adjustments.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2019, the Group focused on the research and development, manufacturing and sales of automotive electronic products, as well as construction and development of automobile dealership networks, individual automotive service chain networks and automotive product e-commerce platforms. The automotive electronic products that the Group produces mainly include inverters, chargers, multi-functional power packs and cooling and heating boxes, which are mainly sold to the markets of Mainland China, North America and Europe. The Group's automobile dealership and services business is operated mainly in Inner Mongolia Autonomous Region for automobile sales, automotive after-sales service, as well as the distribution of car insurance products and automobile financial products. The retail service stores under the individual automotive service chain networks of the Group, which are primarily urban gas station stores, provide car owners with automotive cleaning, beauty, maintenance, spraying and repair services, as well as the sales of automotive products. The automotive product e-commerce platform of the Group provides customers with the purchase, delivery and warehousing services of automotive repair parts and components and automotive products. The Group's retail service business was discontinued as at 31 December 2019.

Results Highlights

Revenue

During the Year, the consolidated revenue from continuing operations of the Group amounted to approximately RMB1,750,632,000 (2018: RMB1,412,883,000), representing an increase of approximately 23.90%. The increase was mainly due to the fact that the Group completed the acquisition of the automobile dealership and services business in September 2018 (the "**Automotive Dealership Business Acquisition**"), and the consolidated revenue consolidated into the Group's financial statements for 2019 has increased by approximately RMB638,343,000 as compared with the consolidated revenue consolidated into the Group's financial statements for the last three months of 2018. Excluding the effect of the above, the consolidated revenue of the Group would have decreased by approximately RMB300,594,000 or approximately 36.22% as compared with 2018.

The consolidated revenue of the wholesale service business of the Group was approximately RMB61,285,000 (2018: RMB234,747,000), representing a decrease of approximately 73.89%. The decrease was primarily due to the business model adjustments during the Year where the tire sales business, which contributed high sales revenue but with low profit margin, was discontinued in order to focus on expanding the asset-light "Auto Make" e-commerce platform business.

The consolidated revenue of the manufacturing business of the Group was approximately RMB468,050,000 (2018: RMB595,182,000), representing a decrease of approximately 21.36%, which was mainly attributable to the impact of the China-US trade war that resulted in a decrease in export sales revenue.

The consolidated revenue of the Group's automobile dealership and services business was approximately RMB1,221,297,000 (2018: RMB582,954,000), representing an increase of approximately 109.50%, which was mainly attributable to an increase in the consolidated revenue consolidated into the Group's financial statements for 2019 as compared with the consolidated revenue consolidated into the Group's financial statements for the last three months of 2018. The diminishing growth of China's macroeconomy and the China-US trade war brought negative impact on consumer confidence and sentiment. In particular, the demand for new automobiles and relevant automotive products and services was generally weakened during the Year as compared to 2018 and thereby leading to worsening results of the automobile dealership and services industry as a whole. As a result, the automotive dealership and services business of the Group experienced a sluggish performance in the Year as compared to 2018.

Gross profit and gross profit margin

The consolidated gross profit from continuing operations for the Year was approximately RMB140,082,000 (2018: RMB160,178,000), representing a decrease of approximately 12.55%. The gross profit margin decreased from 11.34% to 8.00%. The decrease in gross profit was mainly attributable to the decrease in consolidated revenue of the wholesale service business and manufacturing business for the Year as compared with 2018. The decrease in gross profit margin was mainly due to the Automotive Dealership Business Acquisition as the gross profit margin of the Group's automotive dealership and services business was generally lower than the gross profit margin of the Group's other businesses, and therefore resulting in a decline in the gross profit margin of the Group's overall business.

The gross profit of the Group's wholesale service business was approximately RMB10,757,000 (2018: RMB18,990,000), representing a decrease of approximately 43.35%. The gross profit margin increased from approximately 8.09% to approximately 17.55%. The decrease in gross profit was mainly attributable to the decrease in revenue during the Year as compared to 2018. The increase in gross profit margin was mainly attributable to the cessation of the tire sales business which contributed low margin.

The gross profit of the Group's manufacturing business was approximately RMB72,553,000 (2018: RMB94,774,000), representing a decrease of approximately 23.45%. The gross profit margin decreased from approximately 15.92% to approximately 15.50%. The decrease in both the gross profit and gross profit margin was mainly attributable to the decline in revenue from export sales due to the China-US trade war and the increase in raw materials and labor costs.

The gross profit of the Group's automotive dealership and services business was approximately RMB56,772,000 (2018: RMB46,414,000), representing an increase of approximately 22.32%. The gross profit margin decreased from approximately 7.96% to approximately 4.65%. The increase in gross profit was mainly due to the increase in gross profit consolidated into the Group's financial statements for 2019 as compared with the gross profit consolidated into the Group's financial statements for the last three months of 2018. The performance of the Group's automotive dealership and services business during the Year was weakened due to the bearish consumer confidence and sentiment during the Year as compared to 2018. The decrease in gross profit margin was mainly due to the decline in the profit of new automotive sales as a result of the overall downturn in China's automotive sales industry during the Year.

Other revenue and gains and losses

Other gains from continuing operations for the Year was approximately RMB4,153,000 (2018: gain of RMB244,653,000). The decrease was mainly 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**") of the Company, which was issued to High Inspiring Limited (the "**Investor**", an indirect wholly-owned subsidiary of China Construction Bank Corporation) on 1 September 2017, resulting in a decrease of approximately RMB138,964,000 in the gain due to fair value change in derivative financial instruments recorded during the Year as compared with 2018 (the "**Difference in Fair Value Change in Derivative Financial Instruments**"). Secondly, during the Year, interest income recorded from loans made by the Group to several third-party companies decreased by approximately RMB57,584,000 as compared to 2018 (the "**Interest Income Difference**"). In addition, in 2018, negative goodwill amounting to approximately RMB13,837,000 was recorded as the consideration for the Automotive Dealership Business Acquisition was lower than the fair value of the net assets, while there was no such negative goodwill this Year.

Expenses

The distribution costs from continuing operations for the Year were approximately RMB169,649,000 (2018: RMB122,477,000), representing an increase of approximately 38.51%, which was mainly attributable to the fact that distribution costs consolidated into the Group's financial statements for 2019 incurred by the Group's automotive dealership and services business has increased by approximately RMB57,206,000 as compared with its distribution costs consolidated into the Group's financial statements for the last three months of 2018. Excluding the effect of the Automotive Dealership Business Acquisition, the distribution costs for the Year would have decreased by approximately 13.19%, which was primarily due to the decrease in salaries and bonuses of sales personnel, freight, other sales and marketing expenses as a result of the decline in consolidated revenue for the Year.

The administrative expenses from continuing operations for the Year were approximately RMB118,546,000 (2018: RMB106,858,000), representing an increase of approximately 10.94%. The administrative expenses consolidated into the Group's financial statements for 2019 incurred by the Group's automotive dealership and services business has increased by approximately RMB26,953,000 as compared with its administrative expenses consolidated into the Group's financial statements for the last three months of 2018. Excluding the effect of the Automotive Dealership Business Acquisition, the administrative expenses of the Group for the Year would have decreased by approximately 15.09%, which was primarily due to the control of the number of management personnel and the reduction of administrative expenses during the Year. In addition, legal and professional service fees of approximately RMB13,139,000 were incurred in relation to the Automotive Dealership Business Acquisition in 2018, while there were no such expenses this Year.

Operating (loss)/profit

The operating loss from continuing operations of the Group during the Year was approximately RMB143,960,000 (2018: profit of RMB175,496,000). The turnaround from operating profit to operating loss was mainly attributable to the decrease in the Group's other revenue and gains and losses of approximately RMB240,500,000, the decrease in consolidated gross profit of approximately RMB20,096,000, the increase in distribution costs of approximately RMB47,172,000 as compared with 2018. It was mainly attributable to the general gloom about Chinese automobile sales industry and the impact of the China-US trade war on manufacturing industry.

Finance costs

Finance costs from continuing operations during the Year amounted to approximately RMB63,390,000 (2018: RMB42,655,000), representing an increase of 48.61%, which was mainly attributable to the recognition of interest on lease liabilities of approximately RMB5,487,000 during the Year due to the Group's initial application of IFRS 16 Lease on 1 January 2019 and the interest expenses on bank borrowings consolidated into the Group's financial statements for 2019 incurred by the Group's automotive dealership and services business has increased by approximately RMB15,848,000, as compared with its interest expenses on bank borrowings consolidated into the Group's financial statement for the last three months of 2018.

Taxation

Income tax credit from continuing operations during the Year was approximately RMB33,804,000 (2018: income tax expenses of approximately RMB2,314,000). The decrease in income tax expenses was mainly attributable to the recognition of deferred income tax expenses arisen from operating loss.

(Loss)/profit attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company from continuing and discontinued operations during the Year was approximately RMB191,108,000 (2018: profit of RMB107,833,000). Excluding the Difference in Fair Value Change in Derivative Financial Instruments of approximately RMB138,964,000 and the Interest Income Difference of approximately RMB57,584,000 and the negative goodwill of approximately RMB13,837,000 arisen from the Automotive Dealership Business Acquisition in 2018, the loss attributable to equity shareholders of the Company would have increased by approximately RMB88,556,000 as compared with 2018. Loss per share for the Year from continuing and discounted operations was approximately RMB2.82 cents (2018: earnings per share of RMB1.84 cents).

Financial Position and Liquidity

The Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy during the Year. The Group had a net cash inflow from operating activities of approximately RMB53,584,000 (2018: net cash outflow of RMB99,251,000).

Non-current assets were approximately RMB365,408,000 as at 31 December 2019 (31 December 2018: RMB494,651,000).

Net current assets were approximately RMB562,676,000 as at 31 December 2019 (31 December 2018: RMB512,783,000).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 58.11% as at 31 December 2019 (31 December 2018: 61.66%).

As at 31 December 2019, the total bank and other borrowings of the Group were approximately RMB489,982,000 (31 December 2018: RMB552,309,000), of which approximately 5.77% were made in United States Dollars ("**USD**") and approximately 94.23% were made in Renminbi ("**RMB**"). All of the borrowings are repayable within one year and bear fixed interest rates. The Group's need for borrowings was generally stable during the Year. The Group repaid or renewed the borrowings during the Year when they became due. As at 31 December 2019, the committed borrowing facilities available to the Group but unutilized amounted to approximately RMB65,733,000. 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 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 the CCBC Convertible Notes, after deducting all related fees and expenses, were approximately USD34,916,000. The issue of the 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 receipt of the 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 the CCBC Convertible Notes was adjusted from HK$0.306085 per share to HK$0.280511 per share on 19 June 2018 upon completion of the allotment and issuance of 1,904,761,905 new shares by the Company. Upon 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.

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

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 Notes.

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

Approximately 80% of the revenue from the Group's Manufacturing Business was generated from the export of its products which was settled in USD. Other businesses of the Group took place in Mainland China. As such, the Group's cash and cash equivalents and borrowings were mainly denominated in RMB and USD.

As at 31 December 2019, the total assets of the Group were RMB1,937,231,000 (31 December 2018: RMB2,570,157,000), which included: (1) share capital of RMB556,286,000 (31 December 2018: RMB556,286,000); (2) reserves of RMB255,313,000 (31 December 2018: RMB429,138,000); and (3) debts of RMB1,125,632,000 (31 December 2018: RMB1,584,733,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2019, the net book values of inventory, investment properties, property, plant and equipment, right-of-use assets/leasehold land and land use rights pledged as security for the Group's bank borrowings totaled approximately RMB178,168,000 (31 December 2018: RMB398,065,000).

Acquisition and Disposal of Subsidiaries

Beijing Aiyihang Equity Disposal

On 22 November 2019, New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("**New Focus Lighting & Power**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Beijing Aiyihang Auto Service Ltd. ("**Beijing Aiyihang**"), Shanghai Shangzhi Technology Partnership (Limited Partnership) (上海尚摯科技合夥企業(有限合夥)) ("**Shanghai Shangzhi**") and Pingtan Shangzhi Investment Partnership (Limited Partnership) (平潭商智投資合夥企業(有限合夥)) ("**Pingtan Shangzhi**"). Xing Aiyi, the founder and a director of Beijing Aiyihang, who held 38.8% equity interests in Beijing Aiyihang through a company, is a partner of Shanghai Shangzhi, and contributed 1% of its capital contribution. He is also a partner of Pingtan Shangzhi, and contributed 28% of its capital contribution. Pursuant to the equity transfer agreement, New Focus Lighting & Power transferred its 43% and 15.2% equity interest held in Beijing Aiyihang to Shanghai Shangzhi and Pingtan Shangzhi respectively (the "**Beijing Aiyihang Equity Disposal**") each for a consideration of RMB1. The completion of the Beijing Aiyihang Equity Disposal took place on 13 December 2019, and Beijing Aiyihang ceased to be a subsidiary of the Company.

On 22 November 2019, New Focus Lighting & Power, Beijing Aiyihang, another three shareholders of Beijing Aiyihang, Xing Aiyi entered into a capital increase agreement with Huzhou Guojin Zuoyu Equity Investment Partnership (Limited Partnership) (湖州國金佐譽股權投資合夥企業(有限合夥)) ("**Huzhou Zuoyu**"). Pursuant to the capital increase agreement, each party to the agreement agreed to the capital increase of Beijing Aiyihang by Huzhou Zuoyu, and Beijing Aiyihang will repay part of its debts to New Focus Lighting & Power with part of the increased capital as agreed under the capital increase agreement. Besides, according to the capital increase agreement, New Focus Lighting & Power confirmed that its right to repayment against Beijing Aiyihang in the aggregate amount of RMB65 million and the corresponding interests will be discounted to RMB50 million. The performance of the capital increase under the capital increase agreement was conditional on the completion of Beijing Aiyihang Equity Disposal. The completion of the capital increase took place on 17 December 2019. Huzhou Zuoyu is an independent third party of the Company.

Changchun Guangda Equity Disposal

On 12 September 2019, New Focus Lighting & Power and Mr. Wu Yande, a shareholder of Changchun Guangda Automobile Trading Co., Ltd. ("**Changchun Guangda**") entered into an equity transfer contract (the "**Changchun Guangda Equity Transfer Contract**"). Mr. Wu Yande is a director of Changchun Guangda, and held 8.37% equity interests in Changchun Guangda. Pursuant to the Changchun Guangda Equity Transfer Contract, Mr. Wu Yande agreed to purchase and New Focus Lighting & Power agreed to sell its 61% equity interest in Changchun Guangda for a cash consideration of RMB12,000,000 ("**Changchun Guangda Equity Disposal**"). After the completion of the Changchun Guangda Equity Disposal on 19 September 2019, Changchun Guangda ceased to be a subsidiary of the Company.

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 Risks

The Group's wholesale service businesses as well as automotive dealership and services business mainly take place in the People's Republic of China (the "**PRC**"), with the settlement currency being RMB. Hence, there is no exchange risk.

Approximately 80% of the revenue from 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. Therefore, the depreciation of USD against RMB would normally have an adverse effect on the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risks by making USD borrowings to lower such exchange risks. As at 31 December 2019, the amount of the Group's USD borrowings was approximately USD4,000,000 (31 December 2018: USD4,000,000).

In addition, part of the principal and interest payable under the Notes of approximately USD25,591,500 in 2020 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. Having adopted methods of streamlining the personnel structure and reducing other expenses reasonably to cut costs, the Group 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 2019, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2019, the Group employed a total of 1,591 full-time employees (31 December 2018: 4,181), of which 284 (31 December 2018: 627) 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 option scheme are disclosed in the "Report of the Directors" of the 2019 annual report of the Company. The Group emphasizes the importance of staff development and provides relevant training programs on an ongoing basis with reference to its strategic objectives and the performance of its staff.

Environmental Policies and Performance

The Group has been continuously promoting the establishment and improvement of environment-related management mechanism and system. Such 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 have obtained 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 product design and manufacturing, with a view to providing energy-saving and environmentally friendly products to customers. The Group encourages its employees to save energy and treasure resources.

Compliance with Laws and Regulations

During the Year, the Group complied with the relevant laws and regulations that had a significant impact on the operations of the Group in all material respects, which cover various aspects such as labor, fire prevention, environmental protection and product 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 Labor 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》) and the Law on Advertising of the People's Republic of China (《中華人民共和國廣告法》).

Relationship with Employees, Customers and Suppliers

The Group attaches great importance to the relationships with its employees, customers, suppliers and other relevant parties since such relationships are key to 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 the relationships with its employees, customers, suppliers and other relevant parties.

Industrial Development, Business Progress and Outlook

Automotive Dealership and Services Business of the Group

According to the statistics of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in the PRC was approximately 21.44 million for the Year, representing a decrease of approximately 9.6% as compared with 2018. Based on the analysis of China Association of Automobile Manufacturers, the domestic automobile industry was under great pressure in 2019, which was mainly due to factors including the diminishing growth of macro economy, the China-US trade war, the change of environmental protection standards and the reduction of purchase subsidies for new energy vehicles.

The Group's automotive dealership and services business network is located in Inner Mongolia Autonomous Region, and its main businesses include automobile sales and after-sales service, as well as the distribution of car insurance products and financial products. In response to the relatively unfavorable macroeconomic environment and industry conditions, the Group implemented the following operating strategies for the automotive dealership and services business:

Firstly, we eliminated part of the automotive brands with low profitability and optimized the structure of automotive brands under the Group's dealership, so as to concentrate its resources on the dealership of automotive brands with better sales performance.

Secondly, we consolidated the management departments of our headquarters to streamline the management. At the same time, we downsized the proportion of management personnel at our stores to improve management efficiency.

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

It is expected that the automotive dealership industry will remain under considerable pressure in the short run. To improve its operating results, the Group plans to adopt the following operating strategies in 2020:

Firstly, we will continue to optimize the structure of automotive brands under the Group's dealership to align with the trend of consumption upgrade in automobiles, by introducing premium vehicle brands and mid-range automotive brands with market potential.

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

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

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

In respect of expanding individual automobile service chain networks as well as establishing and developing e-commerce platforms for automotive products, our operating conditions for the Year mainly included:

Firstly, the Group operated large-scale chain stores in places such as Beijing to provide car owners with automobile repair and maintenance, tire refitting, sheet-metal spray, environmental-friendly car cleaning and car beauty services. In addition, the Group joined hands with the gas stations under certain branches of Sinopec Sales Co., Ltd. and PetroChina Company Limited to operate automotive after-sales service outlets.

Secondly, the Group operated the automotive product wholesale business based on the e-commerce platform "Auto Make" (美車驛站). Catering to small retail service outlets, the platform provides customers with the purchase, delivery and warehousing services for repair and maintenance parts and components as well as automotive products. At the same time, relevant manufacturers and major wholesalers have also been enticed to set up their stores on the "Auto Make" platform and Auto Make provides sales, payment collection and delivery services for such stores. As such, Auto Make has become an e-commerce platform that integrates self-operated wholesale business and third-party sales of automotive products.

Manufacturing Business of the Group

During the Year, the Group streamlined its manufacturing personnel to enhance efficiency. Meanwhile, the Group integrated research and development resources, established the product manager system and conducted systematic review of the products. For the export business, the Group optimized its current customer portfolio on top of sorting out the existing markets and customers, and successfully launched a series of new products to the market. However, heavily affected by import tariff adjustments by the US and the unfavorable factors of higher manpower and material costs, the orders from the American customers decreased significantly. As a result, the export sales revenue and gross profit fell far short of expectation. For the domestic sales, the Group further adjusted its product structure by enlarging the sales proportion of its own brand products. For the business of supplying pre-installation products to automakers, the Group enhanced its basic research and development and manufacturing capabilities to consolidate the partnership with premium automakers.

The Group's manufacturing business will be customer-oriented, with optimized product structure, more competitive product cost and stronger supply chain bargain capability. At the same time, the Group will enhance the development of innovative products and the core competitiveness of its products to forge new growth points. In addition, the Group will ramp up its quality control by identifying and solving product quality and service issues to improve profitability. We will continue to optimize the structure of our foreign customers, and actively respond to such unfavorable factors in the export of products to the US, while striving to expand the Southeast Asia market.

Business Optimization, Acquisition and Prospect

In 2020, the Group will assess its existing businesses and consider appropriate disposal of relevant businesses with long-term loss and uncertain prospects, so as to optimize resources allocation and improve the Group's profitability. In addition, the Group will also consider acquiring businesses with high profitability and growth potential as opportunities arise, to improve the operating results of the Group.

The size of the market for the principal business of the Group is substantial and there is still much room for development. However, the outbreak of Coronavirus Disease 2019 (COVID-19) in China in early 2020 has had relatively material and negative impacts on a number of operating entities, including the Group, and the impacts are expected to continue for a certain period. Therefore, there are both opportunities and challenges in the macro-environment for our operation in 2020.

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. The financial information set out in this announcement represents an extract from these consolidated financial statements.

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, a review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

By order of the Board
New Focus Auto Tech Holdings Limited
TONG Fei
Executive Director

Hong Kong, 14 May 2020

As at the date hereof, the Board of the Company comprises the following members: executive Director – TONG Fei; non-executive Directors – WANG Zhenyu and ZHANG Jianxing; and independent non-executive Directors – HU Yuming, LIN Lei and ZHANG Xiaoya.