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)

2022 ANNUAL RESULTS ANNOUNCEMENT AND RESUMPTION OF TRADING

The board of directors (the "**Board**") of New Focus Auto Tech Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the audited results of the Group for the year ended 31 December 2022 (the "**2022 Annual Results**"). This announcement, containing the full text of the 2022 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany the preliminary announcement of annual results. Printed versions of the Company's 2022 annual report will be delivered to the shareholders of the Company and are available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.nfa360.com on or before 30 April 2023.

RESUMPTION OF TRADING

At the request of the Company, trading in its shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2023, pending the release of the 2022 Annual Results contained in this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 25 April 2023.

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

Hong Kong, 24 April 2023

As at the date of this announcement, the Directors are: executive Director – TONG Fei; and independent non-executive Director – Li Qingwen.

* *For identification purposes only*

CONTENTS

CORPORATE INFORMATION

Directors

Executive Director

Tong Fei (Acting Chairman, with effect from 12 January 2023)

Independent Non-executive Director

Li Qingwen (appointed on 12 January 2023)

Chief Executive Officer

Zhao Yufeng

Chief Financial Officer

Chen Long

Company Secretary

Liu Xiaohua

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111 Cayman Islands

Principal Place of Business in Hong Kong

5/F, 180 Hennessy Road
Wan Chai
Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder St., Central
Hong Kong

Legal Advisers

CFN Lawyers
27/F, Neich Tower
128 Gloucester Road, Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586,
Gardenia Court,
Camana Bay,
Grand Cayman KY1-1100,
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Stock Code

360

Website

https://www.nfa360.com

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2022, New Focus Auto Tech Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") focused on the research and development, manufacturing and sales of automotive electronic products, as well as the construction and development of automobile dealership networks. 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 the People's Republic of China (the "**PRC**" or "**China**"), North America and Europe. The Group's automobile dealership and services business is operated mainly in the Inner Mongolia Autonomous Region for automobile sales, automotive aftersales services, as well as the distribution of car insurance products and automobile financial products.

Results Highlights

Revenue

During the year ended 31 December 2022 (the "**Year**"), the consolidated revenue of the Group from continuing operations was approximately RMB591,671,000 (2021: RMB728,142,000), representing a decrease of approximately 18.74%.

The consolidated revenue from the manufacturing and trading business of the Group was approximately RMB450,389,000 (2021: RMB502,471,000), representing a decrease of approximately 10.37%, which was mainly attributable to the relatively long period of production suspension at the Group's manufacturing plant in Shanghai during the Year as a result of the impact of the local COVID-19 pandemic (the "**Pandemic**") prevention policies.

The consolidated revenue from the Group's automobile dealership and services business amounted to approximately RMB141,282,000 (2021: RMB225,671,000), representing a decrease of approximately 37.39%, which was mainly attributable to the prolonged suspension of operations of the Group's automobile dealer stores in Hohhot, China during the Year due to the impact of the local Pandemic prevention policies.

Gross profit and gross profit margin

The consolidated gross profit from continuing operations for the Year was approximately RMB101,347,000 (2021: RMB102,454,000), representing a decrease of approximately 1.08%. The gross profit margin increased from 14.07% to 17.13%. The decrease in gross profit was mainly attributable to the decrease in consolidated revenue for the Year as compared with 2021. The increase in gross profit margin was primarily attributable to the optimisation of customer structures and product structures during the Year, as well as the higher exchange rate of the United States Dollar ("**USD**") against the Renminbi ("**RMB**") as compared with 2021.

The gross profit of the Group's manufacturing business was approximately RMB90,662,000 (2021: RMB84,477,000), representing an increase of approximately 7.32%. The gross profit margin increased from approximately 16.81% to approximately 20.13%. The increase in gross profit and gross profit margin was mainly attributable to the optimisation of customer structures and product structures during the Year, which reduced the proportion of sales revenue of low-margin products. In addition, the exchange rate of the USD against the RMB during the Year was higher than that of 2021, resulting in an increase in gross profit margin of foreign trade revenue denominated in USD.

The gross profit of the Group's automobile dealership and services business was approximately RMB10,685,000 (2021: RMB17,977,000), representing a decrease of approximately 40.56%. The gross profit margin decreased from approximately 7.97% to approximately 7.56%, which corresponded with the decrease in revenue for the Year as compared with 2021.

Other revenue and gains and losses

Other revenue from continuing operations for the Year was approximately RMB7,255,000 (2021: approximately RMB5,692,000).

Other gains, net, from continuing operations for the Year were approximately RMB8,350,000 (2021: losses, net, of approximately RMB30,608,000). The positive turnaround was mainly due to the impairment loss of other receivables of approximately RMB35,347,000 recorded in 2021, as opposed to no such loss being recorded for the Year. Secondly, the exchange rates of the USD and HKD against the RMB at the end of the Year were higher than those at the beginning of the Year, resulting in an exchange gain for the Company of approximately RMB9,703,000, while the exchange rates of the USD and HKD against the RMB at the end of 2021 were lower than those at the beginning of that year, resulting in the Company's exchange loss of approximately RMB6,772,000, and hence a difference in exchange gains and losses of approximately RMB16,475,000 (the "**Exchange Difference in Gains and Losses**") was incurred. In addition, the Company recorded a gain of approximately RMB11,089,000 in 2021 due to the disposal of equity interest in subsidiaries, as opposed to no such gain being recorded for the Year.

Expenses

Net allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables from continuing operations for the Year was approximately RMB21,002,000 (2021: RMB1,864,000). The increase in impairment loss was mainly due to the failure of two independent third parties to repay the arrears as scheduled during the Year, for which the Group made a provision for expected credit losses of RMB18,000,000 in respect of these two other receivables, and no such loss was recorded in 2021. For the reasons for, and other details of, the impairment on the other receivables due from two independent third parties, please refer to the section headed "Impairment of Other Receivables" in this annual report.

The impairment loss on inventories from continuing operations for the Year was approximately RMB10,330,000 (2021: RMB260,000). The increase in impairment loss was mainly due to the fact that the net realisable value of certain customised products and related raw materials in the Group's manufacturing business were lower than their respective costs due to a dispute with a customer and the bankruptcy of another customer, for which the Group provided an impairment loss on inventories of approximately RMB9,912,000, and no such loss was recorded in 2021.

The distribution costs from continuing operations for the Year were approximately RMB42,023,000 (2021: RMB62,615,000), representing a decrease of approximately 32.89%, which was mainly attributable to the decrease in wages and bonuses for sales personnel, depreciation and amortisation charges, market charges and other expenses as a result of the decline in consolidated revenue for the Year.

The administrative expenses from continuing operations for the Year were approximately RMB56,990,000 (2021: RMB60,832,000), representing a decrease of approximately 6.32%, which was mainly due to the Group's control over the number of managerial staff and reduction of administrative expenses.

Operating loss

The operating loss from continuing operations of the Group for the Year was approximately RMB13,393,000 (2021: RMB60,885,000). The decrease in loss was primarily due to the difference of approximately RMB38,958,000 incurred as a result of the positive turnaround of other gains or losses, net, for the Year as compared with that of 2021, an increase of approximately RMB19,138,000 in the allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables as compared with 2021, and a decrease of approximately RMB20,592,000 in distribution costs as compared with 2021.

Finance costs

The finance costs from continuing operations for the Year amounted to approximately RMB30,506,000 (2021: RMB25,885,000), representing an increase of approximately 17.85%, which was mainly attributable to the increase in the average monthly borrowing amount and weighted average borrowing rate of bank and other borrowings for the Year as compared with 2021.

Taxation

The income tax expenses from continuing operations for the Year were approximately RMB3,898,000 (2021: RMB15,960,000).

Loss 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 RMB48,503,000 (2021: RMB84,795,000). The decrease in loss was mainly due to the positive turnaround of other revenue and gains or losses and the Group's strict control of costs and various expenditures during the Year. The loss per share from continuing and discontinued operations during the Year was approximately RMB0.68 cents (2021: loss per share of RMB1.25 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 RMB221,118,000 (2021: RMB26,283,000) and the increase in cash outflow was mainly due to the increase in prepayments paid to suppliers during the Year as compared to 2021.

Non-current assets were approximately RMB140,165,000 as at 31 December 2022 (31 December 2021: RMB144,471,000).

Net current assets were approximately RMB609,764,000 as at 31 December 2022 (31 December 2021: RMB172,736,000) with a current ratio of 1.65 (31 December 2021: 1.24).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 58.49% as at 31 December 2022 (31 December 2021: 81.35%).

As at 31 December 2022, the total bank and other borrowings of the Group were approximately RMB306,149,000 (31 December 2021: RMB374,361,000), of which approximately 16.30% were made in USD and approximately 83.70% were made in RMB. All of the borrowings were repayable at fixed interest rates, of which approximately RMB269,149,000 was repayable within one year, and approximately RMB37,000,000 was repayable after two years but within five years.

The Group's need for borrowings was generally stable during the Year. As at 31 December 2022, the committed borrowing facilities available to but not utilised by the Group amounted to approximately RMB45,390,000.

Material loan transactions

HK$150,000,000 Loan

As disclosed in the announcement of the Company dated 17 October 2022, the Company (as lender) and Sky Asia Holdings Limited ("**Sky Asia**") (as borrower) entered into a loan agreement on 9 April 2019, pursuant to which the Company had agreed to grant a loan of HK$150,000,000 to Sky Asia for a term of three months from the date of the loan agreement at an interest rate of 6% per annum. The obligations and liabilities of the borrower under the loan agreement were subsequently novated to 長城寬帶網絡服務有限公司 on 31 December 2020. The loan was fully repaid on 28 March 2023.

The Group has had in place an office automation system (the "**OA**") since around January 2015, through which all contracts related to the provision of loans must be approved by the relevant department head, legal department, supervisor in charge (if any) and general manager, and which triggers due diligence procedures on whether the relevant counterparty is a connected person of the Group or whether the transaction classifies as a notifiable transaction (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")). Despite this, Mr. Du Jinglei, a former chairman of the Board and executive director of the Company (the "**Directors**") at the then material time up until 1 July 2019, had manipulated the OA, bypassing the reporting to the Board on the loan and privately arranged the loan, thus the Board was not aware of nor consulted on the terms and provision of the loan at the then material time. As a result, the Company was unable to disclose the details of the loan in a timely manner in accordance with the requirements of Chapter 14 of the Listing Rules.

A Maximum of RMB505,005,000 Loan

As disclosed in the announcement of the Company dated 30 March 2023, New Focus Lighting and Power Technology (Qingdao) Co., Ltd., a wholly-owned subsidiary of the Company ("**New Focus Lighting & Power (Qingdao)**") (as lender) and 京行大運（北京）科技有限公司 (JingHang DaYun (Beijing) Technology Co., Ltd.*) ("**Jinghang Dayun**") (as borrower) entered into a loan agreement (the "**Loan Agreement**") on 15 December 2022, pursuant to which New Focus Lighting & Power (Qingdao) had agreed to grant an unsecured loan of RMB205,005,000 to Jinghang Dayun for a term of three months from the date of the loan agreement at an interest rate of 5% per annum. On 31 December 2022, Jinghang Dayun has assigned Baotou Shuo Zheng Trading Co., Ltd. (包頭市碩正商貿有限公司) ("**Baotou Shuozheng**") and Shanghai Yaran Equity Investment Management Co., Ltd. (上海亞冉股權投資管理有限公司) ("**Shanghai Yaran**") to repay the loans of RMB150,000,000 and RMB30,000,000, respectively, on behalf of it, with a total repayment of loans of RMB180,000,000 (the "**Repaid Loan**"); and New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into an extension agreement ("**Extension Agreement**") to extend the maturity date of the remaining loan (i.e. RMB25,005,000) to one year from the date of the extension agreement.

On 1 January 2023, New Focus Lighting & Power (Qingdao) entered into a supplemental agreement (the "**Supplemental Agreement**") with Jinghang Dayun, Baotou Shuozheng and Shanghai Yaran on the Repaid Loan, respectively, pursuant to which New Focus Lighting & Power (Qingdao) refunded RMB150,000,000 and RMB30,000,000 to Baotou Shuozheng and Shanghai Yaran, respectively with the total amount of the outstanding loans resuming back to RMB205,005,000.

On 3 January 2023, New Focus Lighting & Power (Qingdao) (as lender) entered into a second loan agreement (the "**Second Loan Agreement**") with Jinghang Dayun (as borrower), pursuant to which New Focus Lighting & Power (Qingdao) agreed to grant a further unsecured loan of not more than RMB300,000,000 to Jinghang Dayun for a term commencing from the date of the Second Loan Agreement until 30 April 2023 (the "**Second Loan**"), with an interest rate of 5% per annum. According to the Loan Agreement, the extension agreement, the Supplemental Agreement and the Second Loan Agreement (collectively, the "**Loan Agreements**"), New Focus Lighting & Power (Qingdao) has advanced an aggregate of RMB477,780,875 to Jinghang Dayun, of which RMB205,005,000 was advanced under the Loan Agreement and RMB272,775,875 was advanced under the Second Loan Agreement. As at the date of this annual report, Jinghang Dayun had already repaid an aggregate of the loans of RMB452,776,875 together with the accrued interest of RMB4,700,000, and the balance of the loans is RMB25,004,000.

At the material time, the management of New Focus Lighting & Power (Qingdao) considered that Jinghang Dayun possesses rich resources and cooperation with the local government and extensive business operations that complement the Group's strategic goals. The Company's medium and long-term development plans entail significant projects, including the construction of the Qingdao Laixi Automotive Electronics Industrial Park, the industrial adjustment of the Group's factory in Shanghai, and the exploration of new sales channels. These initiatives necessitate significant social, industrial, and government resources, which Jinghang Dayun is well-equipped to provide and it is willing to form a strategic alliance with the Group.

The Company regrets that it did not duly comply with the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules by omitting to issue an announcement and circular for shareholders' approval at the material time of provision of the loans. The non-compliance incidents mainly resulted from a misinterpretation of the Listing Rules, namely the relevant senior management did not appreciate the full extent of the disclosure and shareholders' approval requirements.

Collection of receivables

The deposits, prepayments and other receivables (the "**Receivables**") mainly included (i) the amount due from Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) ("**Lifeng Dingsheng**") and its subsidiaries and associates to Inner Mongolia Chuangying Automobile Co., Ltd. (內蒙古創贏汽車有限公司) (a subsidiary of the Company), together with its subsidiaries ("**Lifeng Dingsheng Receivables**"); and (ii) the prepayments made to suppliers for zinc ingot commodities trading as disclosed in the announcement of the Company dated 30 March 2023 and in note 23 to the financial statements as set out in this annual report, and those commodities of zinc ingot have been fully sold and proceeds from such sale have all been received by the Group in late March 2023.

For the reasons for, and other details of, the impairment on the Lifeng Dingsheng Receivables, please refer to the section headed "Collection of Receivables" in the 2020 annual report of the Company. The management of the Group will continue to monitor the repayment status and will also monetize its charged entity interests and creditor's right in a reasonable manner in due course in order to collect the Lifeng Dingsheng Receivables.

Impairment of other receivables

Impairment of Beijing Aiyihang Other Receivable

On 22 November 2019, New Focus Lighting and Power Technology (Shanghai) Co., Ltd. (紐福克斯光電科技(上海)有限公司), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement in relation to the disposal of a non-wholly owned subsidiary, Beijing Aiyihang Auto Service Ltd. (北京愛義行汽車服務有限責任公司) ("**Beijing Aiyihang**"). For other details of the disposal of Beijing Aiyihang, please refer to the section headed "Acquisition and Disposal of Subsidiaries" in the 2019 annual report of the Company.

According to the equity transfer agreement, if the audited net assets and net profit of Beijing Aiyihang meet certain conditions within 36 months from the date of signing the agreement, Beijing Aiyihang should repay the arrears of RMB50,000,000 to the Group, otherwise it should repay the arrears in the sum of RMB35,000,000 ("**Beijing Aiyihang Other Receivable**"). The Company made a provision for an expected credit loss of RMB15,000,000 for the Beijing Aiyihang Other Receivable in 2019.

The Group had recovered RMB20,000,000 of the Beijing Aiyihang Other Receivable as of 31 December 2022. The Group had initiated arbitration proceedings against Beijing Aiyihang on 1 December 2022, and has made a further provision for an expected credit loss of RMB15,000,000 on the Beijing Aiyihang Other Receivable during the Year.

Impairment of Fujian Nanping Other Receivable

On 20 September 2018, the Company and Fujian Nanping Dafeng Electric Co., Ltd. (福建南平大豐電器有限公司) ("**Fujian Nanping**") (formerly known as Ningbo Yafeng Electric Co., Ltd. (寧波亞豐電器有限公司)) entered into a loan agreement. The Company, as the lender, provided an unsecured loan in the principal amount of RMB3,000,000 to Fujian Nanping for a term of one year with an interest rate of 5% per annum, and the repayment date was subsequently extended to 21 September 2022 ("**Fujian Nanping Other Receivable**").

Fujian Nanping failed to repay the loan in a timely manner as of 31 December 2022. The Company filed a lawsuit against Fujian Nanping on 21 March 2023, and made a provision for an expected credit loss of RMB3,000,000 on the Fujian Nanping Other Receivable during the Year.

Completion of issue of subscription shares under specific mandate

On 28 May 2021, the Company entered into a subscription agreement with Daodu (Hong Kong) Holding Limited (the "**Subscriber**"), pursuant to which the Company had conditionally agreed to allot and issue, and the Subscriber had agreed to subscribe for, an aggregate of not more than 11,252,732,911 subscription shares of the Company at the subscription price of HK$0.059 per subscription share (the "**Subscription**").

On 21 December 2022, completion of the Subscription took place, in which 10,449,312,134 ordinary shares (with an aggregate nominal value of approximately HK$1,044,931,213) were allotted and issued as fully paid to the Subscriber at an aggregate consideration of HK$616,509,415.906.

The subscription price of HK$0.059 was arrived at after arm's length negotiations between the Company and the Subscriber after taking into account (i) an estimated market capitalisation of the Company of approximately HK$400 million (approximately HK$0.0591 per share) with reference to the average of the closing prices of the shares as quoted on the Stock Exchange for the 45 consecutive trading days up to and including 18 February 2021 of approximately HK$0.05887 per share; (ii) the amount of the subscription shares to be issued; (iii) the controlling position to be obtained by the Subscriber; and (iv) the expected funding need of the Group, in particular, the substantial funding of approximately HK$480 million which will be required to build a new production plant and to acquire the related production equipment. The Directors considered that it was in the interest of the Company and its shareholders as a whole to introduce a strategic investor with strong local government support and to raise sufficient funds to enhance its capabilities in product development and upgrade its manufacturing infrastructure and sales platforms, and further expand the scale of product production and improve operating efficiency. The funds raised under the Subscription could also strengthen the Company's capital base and be utilised towards repayment of outstanding bank loans which will help significantly reduce the Company's capital cost and improve its financial position. The closing price of the shares as quoted on the Stock Exchange on 28 May 2021, being the date of the subscription agreement, was HK$0.085 per share.

The intended and actual usage of the net proceeds raised from the Subscription of approximately HK$615 million (i.e. net issue price of approximately HK$0.059 per share) are set out as follows:

	Amount of net proceeds allocated *HK$ million (approximate)*	**Net proceeds utilised during the Year**(Note 1) *HK$ million (approximate)*	**Net proceeds unutilised as at 31 December 2022**(Note 2) *HK$ million (approximate)*	**Expected timetable for utilising the unused proceeds**(Note 3)
Enhancement of the Company's manufacturing capability				
– purchase of land use rights in Economic Development Zone, Laixi City, Qingdao City, Shandong Province	65	0	65	By 31 December 2023
– construction of new production plants and other supporting facilities	335	0	335	By 31 December 2023
– purchase of related production equipment in the PRC for production of automotive parts for new energy vehicle	46	0	46	By 31 December 2023
Repayment of the outstanding bank and other loans of the Group	111	88	23	By 30 June 2023

	Amount of net proceeds allocated *HK$ million (approximate)*	Net proceeds utilised during the Year(Note 1) *HK$ million (approximate)*	Net proceeds unutilised as at 31 December 2022(Note 2) *HK$ million (approximate)*	Expected timetable for utilising the unused proceeds(Note 3)
General working capital of the Group				
– procurement costs of the Group's manufacturing business and automobile dealership and service business	41	0	41	By 30 June 2023
– remuneration of the Group's employees	9	0	9	By 30 June 2023
– the Group's other daily expenses	8	0	8	By 30 June 2023
Total	616	88	528	

Notes:

1. On 22 December 2022, the Company applied the net proceeds from the Subscription to repay bank and other loans of approximately HK$88,315,000.

2. As disclosed in the announcement of the Company dated 30 March 2023 and 24 April 2023, due to the industrial development plan (including land bidding plans, optimisation of the industrial orientation) of, and pending the introduction of more favorable policies to the auto industry by, the Qingdao Laixi Municipal Government, the net proceeds from the Subscription could not be immediately applied as intended for the construction and production of the new production plant in Laixi City in short term. As such, the Company has applied approximately RMB474 million for the commodities trading business from December 2022 to March 2023 and also approximately RMB273 million for the Second Loan. As at the date of this report, all the zinc ingot purchased for the purpose of commodities trading have been sold, and the proceeds from such sale (including the RMB474 million net proceeds from the Subscription) have been received by the Group and the Second Loan has been repaid. The Board will ensure that all the remaining unused net proceeds from the Subscription of approximately HK$528 million will continue to be applied as originally intended.

   The Company regrets its failure to make timely disclosure in respect of the short-term change in use of proceeds from the Subscription in compliance with the Listing Rules.

3. The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

For more details of the Subscription, please refer to the announcements of the Company dated 28 May 2021, 13 September 2021, 21 December 2022, 30 March 2023 and 24 April 2023 and the circular of the Company dated 29 July 2021, respectively.

Capital Structure

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 of the Group's manufacturing business was generated from the export of its products which was settled in USD, while other businesses were all in China. As such, the Group's cash and cash equivalents and borrowings are denominated in RMB and USD.

As at 31 December 2022, the total assets of the Group was approximately RMB1,693,440,000 (31 December 2021: RMB1,042,509,000), which included: (1) share capital of approximately RMB1,490,706,000 (31 December 2021: approximately RMB556,286,000); (2) reserves of approximately RMB(787,722,000) (31 December 2021: approximately RMB(361,825,000)); and (3) liabilities of approximately RMB990,456,000 (31 December 2021: approximately RMB848,048,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2022, the net book values of inventory, investment properties, property, plant and equipment, and right-of-use assets pledged as security for the Group's bank and other borrowings totalled up to approximately RMB127,581,000 (31 December 2021: approximately RMB98,496,000).

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year.

Significant Investments

The Group had no significant investments during the Year. Save for the construction of a new production plant in Laixi as disclosed in the circular of the Company dated 29 July 2021, the Group had no specific plans for material future investments or acquisitions of capital assets.

Exchange Risks

The Group's automobile dealership and services business mainly operates in China, with the RMB as the settlement currency. Hence, there is no exchange risk.

Approximately 80% of the turnover from the Group's manufacturing business was generated from the export of its products which was settled in USD. The raw materials used to produce such products were purchased in RMB. Therefore, the depreciation of USD against the RMB would normally have an adverse effect on the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risks by making USD borrowings to mitigate against such exchange risks. As at 31 December 2022, the amount of the Group's USD borrowings was approximately USD7,202,000 (31 December 2021: USD18,001,000).

Other Material Risks and Uncertainties

The Group faces other material risks and uncertainties, which mainly include the future development of China's economy and China-US relations. Should China's economy head towards a downturn, consumers will suffer a negative impact on their willingness and ability to purchase new vehicles and automobile-related products and services, which will in turn reduce the operating revenue of the Group's automobile dealership and services business. As US is a major export market for the Group's manufacturing business, the worsening China-US relations will affect the results of the Group's manufacturing business. The Group will pay close attention to the economic trend of China, and address such risks and uncertainties in a timely manner by streamlining staffing and reducing other expenses reasonably to cut costs. Meanwhile, the Group will strive to expand the domestic market for its manufacturing business, so as to reduce the reliance on the export market.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

During the Year, the Group employed a total of 785 full-time employees (31 December 2021: 969), of which 154 (31 December 2021: 204) 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, rewards (such as performance-based bonuses) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements its share option scheme as a long-term incentive scheme of the Group. Details of the share option scheme will be disclosed in the section headed "Report of the Directors" of this annual report. The Group emphasises 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 mechanisms and systems. Such systems require all the employees of the Group to comply with the applicable environmental laws and regulations in their daily work. The automobile distribution branches of the Group have obtained approvals from environmental protection authorities prior to the commencement of operations and strictly complied with applicable environmental laws and regulations in the subsequent operations, so as to minimise 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, save for certain incidents relating to non-compliance of the Listing Rules, the Group complied with the relevant laws and regulations which had a significant impact on the operations of the Group in all material respects, covering various aspects such as labour, 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 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 Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Advertising Law 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 given such relationships are key to the Group's sustainable development. The Group adheres to the principles of legality, fairness, reasonableness and mutual benefit in its daily operations and duly handles the relationships with its employees, customers, suppliers and other relevant parties.

Industrial Development, Business Progress and Outlook

Automobile Dealership and Services Business of the Group

According to the latest production and sales figures of the automobile industry released by the China Association of Automobile Manufacturers, the sales volume of passenger cars in Mainland China amounted to approximately 23,563,000 for the Year, representing an increase of approximately 9.5% as compared to 2021. Although the industry in which the Group operates is gradually on the road to recovery, the overall consumer demand was still significantly impacted by the continuous implementation of stringent lockdown and control measures of the Pandemic by the Government in 2022.

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 services, as well as the distribution of car insurance products and financial products.

The operating results of the Group's automobile dealer shops did not grow in sync with the overall automobile sales market during the Year, primarily due to the termination of some dealership authorisations, combined with the recurring Pandemic throughout the Year, which resulted in a substantial shrink in the revenue of the automobile sales and after-sales business under the Group's automobile dealership business, and that the Group had to relieve its operation pressure through lay-offs and wage reductions from time to time.

The Group mainly implemented the following operating strategies for the automobile dealership and services business in 2022:

Firstly, we transformed some of our outlets with no brand license into comprehensive automobile maintenance plants;

Secondly, we carried out lay-offs and wage reductions to reduce the cost of human resources; and

Thirdly, we actively applied for various government grants to replenish cash flows.

The automobile dealership industry is expected to remain under certain pressure in the near term. To improve our operating results, we plan to focus on the following operating strategies in 2023:

Firstly, in light of the growing market demand for new energy vehicles, we will actively acquire the distribution rights of proprietary new energy vehicle brands, and enhance our ancillary service facilities for new energy vehicles; and

Secondly, we will continue to consolidate our existing businesses, optimise our personnel structure and phase out underperformed employees, so as to reduce the labour costs.

Manufacturing Business of the Group

In the first half of 2022, the Group's manufacturing business was severely hit by the Pandemic in Shanghai for nearly three months, during which we shut down and suspended production for around two months, resulting in a decline in revenue of our export business. Nonetheless, thanks to the favourable effect from the appreciation of the USD against the RMB, the exchange gain increased and hence the operating profit of the manufacturing business registered significant growth.

In terms of the production and operation of the manufacturing business, the research and development ("**R&D**") of high-power inverters and energy storage products progressed smoothly. Well-known international customers received the first batch of new products after trial production. The follow-up R&D of the series of products are progressing steadily. Due to the drastic decline in market demand for pre-installation commercial vehicles, revenue from the domestic trade business dropped significantly. However, the R&D of new products and procurement of new customers in the domestic trade business are progressing smoothly, and the manufacturing business of the Group has become the designated supplier of a heavy truck manufacturer, which ranks among the top five in China. As the domestic trade business is anticipating market recovery, we will continue to promote the R&D of new products and procurement of new customers. Although the construction progress of the Vietnam factory has been hindered by the Pandemic, we will still seek to send our engineering and technical management personnel to Vietnam.

Prospects

The Group's principal businesses have a vast market with still much room for growth. The Group will continue to strengthen its management and enhance the operating results of all its businesses as soon as possible.

Material Events after the Reporting Period

Material Loan Transactions

As disclosed in the section headed "Material Loan Transactions – A Maximum of RMB505,005,000 Loans", the loan repayment made on behalf of Jinghang Dayun to New Focus Lighting & Power (Qingdao) was refunded on 1 January 2023 pursuant to the Supplemental Agreement; and the Second Loan Agreement was entered into on 3 January 2023, pursuant to which New Focus Lighting & Power (Qingdao) agreed to grant a further unsecured loan of not more than RMB300,000,000 to Jinghang Dayun for a term commencing from the date of the Second Loan Agreement until 30 April 2023, with an interest rate of 5% per annum. As at the date of this annual report, the balance of the loan owed by Jinghang Dayun to New Focus Lighting & Power (Qingdao) is RMB25,004,000.

Non-compliance with Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules

Following the resignations of Mr. Hu Yuming and Ms. Shi Jing on 14 March 2023, the Company failed to meet the requirement of (i) Rules 3.10(1) and (2) of the Listing Rules that the Board must include at least three independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, respectively; (ii) Rule 3.21 of the Listing Rules in relation to the composition of the audit committee of the Company (the "**Audit Committee**"); (iii) Rule 3.25 of the Listing Rules in relation to the composition of the remuneration committee of the Company (the "**Remuneration Committee**"); and (iv) Rule 3.27A of the Listing Rules in relation to the composition of the nomination committee of the Company (the "**Nomination Committee**").

In order to comply with the Listing Rules, the Company will continue to use its best endeavours to identify suitable candidate(s) to fill the subject vacancies as soon as practicable and in accordance with the relevant Listing Rules.

Profiles of the Directors and senior management of the Company as at the date of this annual report are set out below:

Executive Director

Mr. Tong Fei

Mr. Tong, aged 40, is an executive Director with postgraduate qualifications. He obtained his master's degree in business administration from Peking University (北京大學) in 2012. Mr. Tong was appointed as the director of business development department of China Resources Leasing Co., Ltd.* (華潤租賃有限公司), the assistant president of Huazhong Finance Leasing Co., Ltd.* (華中融資租賃有限公司), the managing director of Century Huazhong Capital Management Co., Ltd.* (世紀華中資本管理有限公司) and the general manager of Beijing Senwo Capital Management Co., Ltd.* (北京森沃資本管理有限公司). In respect of his professional qualifications, Mr. Tong obtained the fund qualification certificate (基金從業資格證) from the Asset Management Association of China (中國證券投資基金業協會) in 2016. He has extensive knowledge and experience in financial management and capital operation. Mr. Tong joined the Group in July 2019.

Independent non-executive Director

Mr. Li Qingwen

Mr. Li, aged 67, graduated from Harbin Engineering University (哈爾濱工程大學) and received a master's degree in economics. He has been the president of Carbingo Academy* (汽車評價研究院) and Beijing Invisible Unicorn Information Science and Technology* (北京隱形獨角獸信息科技院) since 2017. Mr. Li was an independent director of Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司) (listed on Shenzhen stock exchange, stock code: 000625) from March 2016 to June 2022, and has been an independent director of each of Xuchang Yuandong Drive Shaft Co., Ltd.* (許昌遠東傳動軸股份有限公司) (listed on Shenzhen stock exchange, stock code: 002406) since June 2020 and Jiangsu Lopal Tech. Co., Ltd.* (江蘇龍蟠科技股份有限公司) (listed on Shanghai stock exchange, stock code: 603906) since March 2020. Mr. Li joined the Group in January 2023.

Senior Management

Mr. Zhao Yufeng

Mr. Zhao, aged 47, is the chief executive officer of the Company since 6 August 2020, and has overall responsibilities for the operations and management of the Company. Mr. Zhao is also a director of certain subsidiaries of the Company.

Mr. Zhao graduated from Hebei University of Science and Technology (河北科技大學) in 1997 with a bachelor's degree. Prior to joining the Group, he served successively as a vice president of Shanghai investment banking department and the general manager of Over-The-Counter department No. 5 of Jianghai Securities Co., Ltd.* (江海證券有限公司), and the general manager and chairman of Shanghai Guofu Guangqi Cloud Computing Technology Co., Ltd.* (上海國富光啟雲計算科技股份有限公司). Mr. Zhao has extensive knowledge and experience in financial management and capital operation.

Mr. Chen Long

Mr. Chen, aged 33, is the Chief Financial Officer of the Company, and is responsible for the financial management related work of the Group.

Mr. Chen graduated from Shanghai University (上海大學) in 2015 with a master's degree in economics and is also a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Mr. Chen was a senior manager of the Shanghai investment banking department of Jianghai Securities Co., Ltd.* (江海證券有限公司) and the deputy general manager of Shanghai Guofu Guangqi Cloud Computing Technology Co., Ltd.* (上海國富光啟雲計算科技股份有限公司). Mr. Chen joined the Group in July 2020.

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2022.

Corporate Governance Practices

The Board believes good corporate governance practice is the key to business growth and effective management of the Group. The Company has adopted the principles set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules on the Company's corporate governance structure and operations in the manner as stated in this annual report.

In the opinion of the Board, the Company had complied with the code provisions set out in the CG Code throughout the year ended 31 December 2022.

Securities Transactions of Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to 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 financial year ended 31 December 2022.

Board of Directors

Responsibilities and Delegation

The Board is responsible for the overall management of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively, and acting in the interests of the Company and its shareholders as a whole at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company (the "**Company Secretary**") and senior management. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board. The Board strives to implement appropriate measures and internal control procedures to ensure that the Company runs its business pursuant to all applicable legal and regulatory requirements with prudence and integrity.

The senior management are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions in a timely manner. Each of the Directors is entitled to obtain such records of the Company as are necessary to enable him/her to make informed decisions. Biographical details of the Directors and their relationships with other members of the Board (if any) are set out under the section headed "Profiles of the Directors and Senior Management" in this annual report.

Issues reserved for discussion and approval by the Board include the following: (i) corporate strategies; (ii) annual budget and annual business plans; (iii) annual and interim results; (iv) internal control and risk management; (v) major acquisitions, disposals and capital transactions; and (vi) other significant operational and financial matters.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim financial statements for the Board's approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control and risk management systems, and compliance with relevant statutory requirements and rules and regulations. Executive Directors should assume individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The independent non-executive Directors will provide independent advice to the Board and share their knowledge and experience with other members of the Board.

Board Composition

The Directors who held office during the year ended 31 December 2022 and/or up to the date of this annual report were:

Executive Director
Mr. Tong Fei *(Acting Chairman, with effect from 12 January 2023)*

Non-executive Director(s)
Mr. Wang Zhenyu *(resigned on 12 January 2023)*
Mr. Zhang Jianxing *(Acting Chairman, resigned on 12 January 2023)*

Independent non-executive Director(s)
Mr. Hu Yuming *(resigned on 14 March 2023)*
Mr. Li Qingwen *(appointed on 12 January 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*

The Company has received from Mr. Li Qingwen a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers Mr. Li Qingwen to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, all independent non-executive Directors made various contributions to the effective direction of the Company. Apart from regular Board meetings, the Acting Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the Year.

Appointment and Re-election of Directors

All Directors are appointed for a fixed term of three years. The articles of association of the Company (the "**Articles**") require that one-third of the Directors (including executive and non-executive Directors) retire from office by rotation each year. The Directors to retire each year shall be those appointed by the Board during that year and those who have been longest in office since their last re-election or appointment. A retiring Director is eligible for re-election.

Apart from the service agreement or letter of appointment (as the case may be) entered into by each non-executive Director, none of them has signed any form of service contract with the Company or any of its subsidiaries.

Chairman and Chief Executive Officer

C.2.1 of the CG Code requires that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. The Acting Chairman of the Board was Mr. Zhang Jianxing during the year ended 31 December 2022, and since 12 January 2023, Mr. Tong Fei has been appointed as the Acting Chairman; whereas the functions of Chief Executive Officer were and are performed by Mr. Zhao Yufeng. The Acting Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authority to manage the daily business of the Group in all aspects effectively.

Continuous Professional Development of Directors

Under code provision C.1.4 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors are encouraged to attend relevant training courses at the Company's expense. Directors are requested to provide their training records to the Company Secretary for record-keeping. Mr. Tong Fei has been pursuing an EMBA program at Tsinghua University PBC School of Finance since 2022. Mr. Hu Yuming participated in and received a certificate of training provided by the Shenzhen Stock Exchange from 21 January 2022 until 21 February 2022 for independent directors. Other than Mr. Tong Fei and Mr. Hu Yuming, the Company has not received training records from its directors for the year ended 31 December 2022.

Non-compliance with Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules

Following the resignations of Mr. Hu Yuming and Ms. Shi Jing on 14 March 2023, the Company failed to meet the requirement of (i) Rules 3.10(1) and (2) of the Listing Rules that the Board must include at least three independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, respectively; (ii) Rule 3.21 of the Listing Rules in relation to the composition of the Audit Committee; (iii) Rule 3.25 of the Listing Rules in relation to the composition of the Remuneration Committee; and (iv) Rule 3.27A of the Listing Rules in relation to the composition of the Nomination Committee.

In order to comply with the Listing Rules, the Company will continue to use its best endeavours to identify suitable candidate(s) to fill the subject vacancies as soon as practicable and in accordance with the relevant Listing Rules.

Board Committees & Corporate Governance Functions

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee (dissolved on 12 January 2023) for overseeing particular aspects of the Company's affairs. The Audit Committee, the Remuneration Committee and the Nomination Committee have been established with defined written terms of reference, which are posted on the Company's website (www.nfa360.com) and the Stock Exchange's website (www.hkexnews.hk) and printed copies of which are available to shareholders upon request. All Board committees report to the Board on their decisions or recommendations.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The Audit Committee comprised/comprises the following members:

Mr. Hu Yuming *(Chairman) (resigned on 14 March 2023)*
Mr. Li Qingwen *(appointed on 12 January 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Mr. Wang Zhenyu *(resigned on 12 January 2023)*

The terms of reference of the Audit Committee have been determined with reference to the CG Code. The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system, internal audit function and associated procedures and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2022, the Audit Committee, through its meetings held on 11 March 2022, 30 March 2022 and 30 August 2022, respectively, had performed, among others, the following:

- approval of recognition of impairment loss on relevant receivables in the annual financial results for the year ended 31 December 2021;
- review and discussion of the annual financial results and report in respect of the year ended 31 December 2021 and interim financial results and report for the six months ended 30 June 2022 and discussion with the management of the accounting principles and practices adopted by the Group;
- discussion on and recommendation of the re-appointment of the external auditors; and
- review of the internal control, financial reporting and risk management systems and effectiveness of the internal audit function of the Group.

The external auditors were invited to attend the meetings of the Audit Committee held during the year ended 31 December 2022 to discuss with the Audit Committee members issues arising from the audit and financial reporting matters.

Since the resignation of the two independent non-executive Directors in March 2023, the Audit Committee only has one member and thus the financial statements for the year ended 31 December 2022 and this report have not been reviewed by the Audit Committee and this does not comply with the requirements of the CG Code and the Listing Rules. Despite this, Mr. Li Qingwen, who is an independent non-executive Director and a member of the Audit Committee has reviewed the same as one of the Board members and there is not any disagreement between Mr. Li Qingwen and the auditors regarding the financial statements for the year ended 31 December 2022 and this report.

Remuneration Committee

The Remuneration Committee comprised/comprises the following members:

Mr. Hu Yuming *(Chairman) (resigned on 14 March 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*
Mr. Zhang Jianxing *(resigned on 12 January 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*
Mr. Tong Fei *(appointed on 12 January 2023)*
Mr. Li Qingwen *(appointed as Chairman on 14 March 2023)*

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, among others, (i) to make recommendations to the Board on the Company's policy and structure for Directors and senior management's remuneration and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and (ii) to determine, with delegated responsibility, the remuneration packages of individual executive Director(s) and the Company's senior management (i.e. code provision E.1.2(c)(i) of the CG Code is adopted).

During the year ended 31 December 2022, the Remuneration Committee, through its meeting held on 30 March 2022 had performed, among others, the following:

- review and discussion of the remuneration policy of the Group, the remuneration packages of the Directors and senior management of the Company, and assessed the performance of the executive Director.

The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. Under our current compensation arrangements, the executive Directors are entitled to compensation in the form of salaries and a performance-related bonus to be determined by the Board. Non-executive Directors are entitled to a Directors' fee and annual bonus payment to be determined by the Board. All the independent non-executive Directors are entitled to remuneration of a fixed amount.

There has been no remuneration paid or payable to the Directors or the five highest paid individuals as inducement to join or upon joining the Group or as a compensation for loss of office in connection with the management of the affairs of any member of the Group in respect of the year ended 31 December 2022.

Details of the remuneration of each Director and the remuneration of the five highest paid individuals for the year ended 31 December 2022 are set out in note 11 to the financial statements in this annual report.

Remuneration paid to senior management staff of the Company in 2022 by band is as follows:

	Number of staff
Nil to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	2

Nomination Committee

The Nomination Committee comprised/comprises the following members:

Mr. Zhang Jianxing *(Chairman) (resigned on 12 January 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Mr. Tong Fei *(appointed as Chairman on 12 January 2023)*
Mr. Li Qingwen *(appointed on 12 January 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under the terms of reference of the Nomination Committee, the principal duties of the Nomination Committee are mainly to (i) review the structure, size and composition of the Board annually; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Director(s); and (iv) make recommendations to the Board on the appointment or re-appointment of Directors.

When evaluating the appropriateness of candidates to be appointed as Directors, the Nomination Committee will take into consideration factors such as character, integrity, accomplishments, experience, qualifications and time commitment to the Group's business. After the Nomination Committee's nomination of suitable Director candidates, the Board shall make the final decision on all matters relating to the appointment of candidates as Directors and its recommendation of candidates for election in any general meeting.

During the year ended 31 December 2022, the Nomination Committee, through its meeting held on 30 March 2022 had performed, among others, the following:

- review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;

- assess the independence of the independent non-executive Directors; and

- recommendation of the re-appointment of those Directors standing for re-election at the 2022 annual general meeting of the Company.

Diversity

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, in selecting the candidates to the Board, various factors will be taken into account, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. The Company currently does not formulate measurable objectives for the implementation of the board diversity policy. The Company will strive to achieve gender diversity in respect of the Board and aims to appoint suitable candidates to fill the vacancy as soon as practicable. Biographical details of each Board member are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

Details of the current members of the Board are set out as follows:

Gender			**Male**	**Female**
			2	0
Nationality				**Chinese**
				2
Age group	**30-39**	**40-49**	**50-59**	**60-69**
	0	1	0	1
Length of service				**5 years or below**
				2

As to diversity in respect of all employees, the current gender ratio of all employees (including senior management) of the Group is approximately 50.57% (male) to approximately 49.43% (female). The Company is of the view that the gender diversity in respect of the current composition of the workforce is satisfactory, which is the result of the Company's business model and the emphasis on equal employment.

The Company has also formulated the following plans/measurable objectives to achieve continuous gender diversity:

- periodically review internal records and data on gender diversity within the Company, for the purposes of assessing whether further steps have to be taken in order to better achieve gender diversity;

- proactively identify suitable female candidates, through events and other recruitment processes, for relevant positions within the Company; and

- determine and implement appropriate measures with the objective of retaining high-skilled women within the Company's workforce.

The following factors make achieving gender diversity across the workforce (including senior management) more challenging/less relevant:

- identifying appropriate talent with the requisite qualifications, experience and expertise for the positions available; and

- ensure diversity and inclusivity in the recruitment process.

Strategy Committee

During the year ended 31 December 2022, the strategy committee of the Company (the "**Strategy Committee**") consisted of three members, being two independent non-executive Directors, namely, Mr. Zhang Xiaoya and Mr. Lin Lei (Chairman) and one non-executive Director, namely, Mr. Wang Zhenyu. The duties of the Strategy Committee included formulating and revising the Group's future development strategies, carrying out procedures and enhancing the efficiency and quality of important decision-making procedures. The Strategy Committee should convene meetings to discuss important investment and financing matters.

During the year ended 31 December 2022, the Group had not been involved in any corporate action that required the involvement of the Strategy Committee. The Strategy Committee had also been dissolved on 12 January 2023.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

Up to the date of this annual report, the Board met once to review the Company's corporate governance policies and practices, training and the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with the Model Code, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Committee Members

During the year ended 31 December 2022, the Board held 13 Board meetings. The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	General Meeting
Mr. Tong Fei	13/13	–	–	–	–	1/1
Mr. Wang Zhenyu *(resigned on 12 January 2023)*	11/13	3/3	–	–	0/0	1/1
Mr. Zhang Jianxing *(resigned on 12 January 2023)*	10/13	–	1/1	1/1	–	1/1
Mr. Hu Yuming *(resigned on 14 March 2023)*	13/13	3/3	1/1	–	–	1/1
Mr. Lin Lei *(resigned on 12 January 2023)*	8/13	3/3	–	1/1	0/0	1/1
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*	12/13	–	1/1	1/1	0/0	1/1

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2022. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 59 to 61 of this annual report.

Internal Control and Risk Management

The internal control and risk management systems of the Group are designed to safeguard the assets of the Group, minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against misstatement or losses. During the year ended 31 December 2022, an internal audit function has been in place within the Group to review the adequacy and effectiveness of its internal control and risk management systems.

The Board has acknowledged that it is responsible for maintaining and reviewing annually the effectiveness of the risk management and internal control systems of the Group. During the year ended 31 December 2022, the Group's internal audit personnel assessed in detail the effectiveness of the risk management and internal control systems of the Group by reviewing each of the important steps and procedures of the systems and evaluating the possible operational and compliance risks which may exist in the Group's business. The Audit Committee reviewed and discussed the findings of the Group's internal audit personnel, as well as the comments and suggestions from the Company's external auditors regarding the effectiveness of the risk management and internal control systems of the Group, to ensure prompt remedial actions are taken. With reference to the report from the Audit Committee, the Board has held a meeting to conduct a review of the effectiveness of the risk management and internal control systems of the Group, which covered all material controls including internal control, financial, operational and compliance control and risk management functions.

Incidents of non-compliance with the Listing Rules

The Company regrets its non-compliance with the Listing Rules due to deficiencies in its internal control and risk management systems, but stresses that any non-compliance and any late disclosure of such was inadvertent and unintentional (please refer to the sections headed "Material loan transactions" and "Completion of issue of subscription shares under specific mandate" under the "Management Discussion and Analysis" of this annual report for details).

On 21 March 2023, the Group has engaged an independent registered accountant to perform agreed-upon procedures in relation to specific accounts payable and receivable and transactions of New Focus Lightning & Power (Qingdao) in accordance with the "Professional Standards for Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (No. 4101)" issued by the Chinese Institute of Certified Public Accountants. The purpose of such engagement was to assist the Company in understanding the actual situation of specific accounts payable and receivables and transaction records of New Focus Lightning & Power (Qingdao). The report covers transactions relating to the loans with Jinghang Dayun and the commodities trading as disclosed in this annual report, and the results showed that those transactions were carried out in accordance with the terms of the relevant signed contracts with verified payment records. The Board noted the deficiencies in its internal control systems, and is keen to improve the same with measures as set out below.

Measures relating to the internal control and risk management systems

In response to the non-compliance incidents, the Board will continue to adopt the following measures to strengthen the relevant internal control procedures to prevent occurrence of similar incidents in the future:

(1) arrange for the internal control department to review, strengthen and continue to monitor the Company's internal control, operation and reporting procedures in respect of the monitoring of all transactions which may constitute notifiable transactions under the Listing Rules before such acquisitions or disposals are conducted by the Group, and seek professional advice if necessary;

(2) strengthen the communication within the Board and between the management, and the professional advisers of the Company for consultation regarding the compliance with the Listing Rules in respect of any notifiable transactions under the Listing Rules. If necessary, the Company will consult the Stock Exchange about the proper treatment of proposed transactions; and

(3) enhance the training provided to the Directors and the senior management to reinforce their understanding of and to emphasize the importance of compliance with the Listing Rules.

During the year ended 31 December 2022, the Board has assessed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions of the Group. As further reviewed by the Board as at the date of this annual report, taking into account of all the non-compliance incidents as disclosed in this annual report, the Board considered that there are significant internal control weaknesses, in particular, the Group is missing a formal internal compliance system to ensure the Company's compliance with the Listing Rules, and insufficient training to the staff to ensure their understanding of the Listing Rules.

The Company also plans to engage internal control expert to help review and improve the overall internal control systems in particular, relating to the transaction approval and compliance. As of the date of this annual report, the Company is currently in the process of identifying a suitable candidate and considering the appropriate scope of the review.

Dissemination of inside information

The Group has established systems and procedures for disseminating inside information so as to ensure that inside information is promptly identified. Directors and the management of the Group understand that inside information should be handled and disseminated in accordance with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). During the year ended 31 December 2022, the dissemination of inside information of the Group has been efficiently and consistently made with the assistance of the Company Secretary and, when necessary, outside legal counsel, other than the incidents discussed in the section headed "Incidents of non-compliance with the Listing Rules" in this annual report.

External Auditors and Auditors' Remuneration

During the year ended 31 December 2022, the fees paid/payable to HLB Hodgson Impey Cheng Limited (the "**Auditors**") in respect of their audit services for the year ended 31 December 2022 amounted to RMB2,500,000, which is for the annual audit service; while no non-audit services had been provided by the Auditor.

During the year ended 31 December 2022, the performance of the Auditors has been reviewed by the Audit Committee.

Company Secretary

The Company does not engage an external service provider as its Company Secretary. Mr. Liu Xiaohua, being the Company Secretary, had taken no less than 15 hours of relevant professional training during the year ended 31 December 2022.

Communications with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and the timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company (i) has adopted the shareholders' communication policy (a summary of which is set out below) and (ii) maintains a website (www.nfa360.com) where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. For enquiries, shareholders and investors may write directly to the Company's head office at No. 45, Beijing East Road, Economic Development Zone, Laixi City, Qingdao City, Shandong Province, the People's Republic of China and all enquiries will be dealt with in an informative and timely manner.

The Board welcomes the views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members of the Group are available at the general meetings to answer any questions raised by shareholders.

The Company continues to enhance communication and its relationship with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

The summary of the Company's shareholders' communication policy is as follows:

(i) corporate communications such as annual reports, interim reports, quarterly reports and circulars are available on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.nfa360.com);

(ii) periodic announcements are published on the websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website; and

(iv) annual and extraordinary general meetings provide a forum for shareholders to make comments and exchange views with the Directors and senior management.

During the year ended 31 December 2022, the Company reviewed the implementation and effectiveness of such policy. The Company considered such implementation and the policy itself to be adequate and effective.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objectives of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address: Room 1809, Feidiao International Building, No.1065A Zhaojiabang Road, Xuhui District, Shanghai, the People's Republic of China (For the attention of the Company Secretary)
Fax: 86-(0)21-6428 2052
Email: gavin_liu@nfa360.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year ended 31 December 2022, the Company had not made any changes to its Articles. An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles for further details of their rights.

As disclosed in the announcement of the Company dated 24 April 2023, the Board announced that it proposed to adopt a new articles of association by amending the Articles for the purpose of, among others, (i) bringing the Articles in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules; (ii) providing flexibility to the Company in relation to the conduct of general meetings; and (iii) making other consequential and housekeeping amendments (the "**Proposed Adoption**"). The Proposed Adoption is subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming annual general meeting of the Company.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com) immediately after the relevant general meetings.

Anti-corruption Risk Prevention and Control System

The Company treats its business partners, customers, suppliers, contractors and counterparts with integrity, respect and equality, opposes any form of commercial bribery and requires our business partners to follow the requirements pertaining to the Company's anti-commercial bribery and anti-corruption policies.

We abide by the Supervision Law of the People's Republic of China, the Anti-money Laundering Law of the People's Republic of China, the United Nations Convention against Corruption, the laws and regulations of the country in which our business is conducted, and international conventions, and do not seek transaction opportunities by means of violation of business ethics or which undermine the competitive advantage of other operators. We implement rules and regulations regarding anti-commercial bribery, anti-corruption and whistleblowing to strictly regulate the behavior of employees and the Company. We have zero tolerance for corruption and are committed to fight and eliminate any corruption. We promote the mechanism that ensures no one dares, can, or is willing to be corrupted, and continuously deepen the governance of corruption.

Main measures taken against corruption and graft by the Company during the year ended 31 December 2022 are as follows:

- in terms of improving our anti-corruption system and procedures, conducting periodic reviews to consider whether improvements can be made; and

- in terms of our anti-bribery training and strengthening supervision and inspections and strictly controlling corruption risks, organizing training events such as presentations on the importance of upholding high anti-bribery and corruption standards, and the implementation of anti-bribery and whistleblowing practices throughout the Group.

Below are the photos of the anti-bribery training events conducted by the subsidiaries of the Group.

Mechanism to Ensure Independent Views and Input are Available to the Board

The Company has adopted "Measures to Obtain Independent Opinions by the Board" on 7 November 2022 with an aim to ensure the effective performance of duties of Directors through ensuring that the Board could obtain independent views and opinions, so as to achieve good corporate governance.

Specific methods for Directors to obtain independent views and opinions are as follows:

1) for matters related to the performance of duties of Directors, all Directors can consult the Company Secretary directly in writing or oral manners; and the Company Secretary shall give a proper reply to the enquiring Director(s) within a reasonable period after receiving such consultation;

2) for matters related to the performance of duties of Directors, all Directors can request formal or informal opinions to be provided by the external legal counsels and/or auditors of the Company in Hong Kong through the Company Secretary, or contact the above counsels or auditors directly under the coordination of the Company Secretary, and relevant expenses shall be borne by the Company. The Company Secretary must implement relevant arrangements within a reasonable period after receiving such written request from Directors;

3) all Directors may request independent third parties other than those appointed by the Company as the external legal counsels or auditors in Hong Kong to provide formal or informal opinions when reasonably considering it necessary, and relevant expenses shall be borne by the Company. The Company Secretary must implement relevant arrangements within a reasonable period after receiving such written request from Directors; and

4) if the Company Secretary fails to reply to the enquiring Directors within a reasonable period, or fails to implement or complete the arrangements mentioned in 2) and 3) within a reasonable time, any Director can directly contact the chairman of the Board, executive Directors and/or the Chief Executive Officer of the Company and request them to urge the Company Secretary to reply or implement the relevant arrangements as soon as possible.

The Board should review the implementation and effectiveness of the above measures on an annual basis; and had reviewed the same for the year ended 31 December 2022 and is of the opinion that those are proper, adequate and effective.

About the ESG Report

Framework, Period and Scope of the ESG Report

This environmental, social and governance ("ESG") report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix 27 to the Listing Rules. The ESG report aims to explain the Company's policies for the year ended 31 December 2022 to fulfill its obligations with respect to sustainable development and the social responsibilities as required by the ESG Guide. The Board is of the view that the Company has complied with the "comply or explain" provisions set out in the ESG Guide for the Year.

The information disclosed in the ESG report primarily concerns two production plants and the automotive dealership and services business of the Group.

The Company believes that good ESG performance is important to the sustainable development of its business and the communities where it operates. The Company is committed to not only creating value for its shareholders, but also devoting to the promotion of environmental protection, social responsibility and effective corporate governance. Certain ESG standards have been integrated into the operations and activities of the members of the Group.

Governance Structure

The Board and the management of the Group are responsible for the ongoing monitoring of the development, implementation and effectiveness of the ESG initiatives undertaken by each member of the Group.

The Group has established a sound and rigorous ESG governance structure to assist the Board and the management of the Group in overseeing relevant issues and incorporating ESG considerations into the daily operations of the Group. The Board is ultimately and fully responsible for the overall direction, strategy, objectives, performance and reporting of the Group's sustainable development.

Reporting Principles

The ESG report adheres to the principles of "Materiality, Quantitative, Balance and Consistency".

Principle	Interpretation	The Group's Application
Materiality	The ESG report should disclose the significant impact on the environment and the society, or the aspects that have a significant impact on how stakeholders evaluate the Company and make decisions.	The Group conducts surveys to understand the expectations of stakeholders. Based on the results of the surveys, the Group identifies the Group's material sustainability issues, evaluates and prioritises them based on importance and their deemed level of risk to the successful operation of the Group's businesses, and reports on how the Group plans to manage them.
Quantitative	The key performance indicators disclosed in the ESG report in respect of historical data should be calculable/measurable and comparable (where applicable).	Where practicable, the Group records, calculates/measures and discloses quantitative information and compares it with historical performance. This allows the Group to review its progress on ESG related matters by comparing its ESG related data against previous years.
Balance	The Company should provide an unbiased picture of the its ESG performance during the reporting period in an objective and truthful manner.	The Group follows the principles of accuracy, objectivity and fairness in reporting its achievements and challenges in sustainability.
Consistency	The ESG report should be prepared in a consistent manner to allow for comparisons of ESG key performance indicators to understand the Company's performance.	The Group ensures consistency in the preparation of the ESG report and manages its ESG data for future comparisons.

Engagement of Stakeholders

The Company recognizes that the expectations and feedback from its stakeholders are integral to the Company's continuous improvements in sustainable development performance. To disclose its most significant issues in the ESG report, the Company organizes meetings for stakeholders (including investors, shareholders and employees) to attend on a regular basis. Effective communication with stakeholders is maintained through daily operations, such as regular meetings, corporate website, written/electronic correspondence, and training, etc., to discuss and review issues concerned, which helps the Company understand the reasonable expectations and interests of stakeholders and prepare for future challenges.

Stakeholders' Feedback

The Company welcomes any opinions and suggestions from its stakeholders. You may provide valuable opinion in respect of the ESG report or our performance in terms of sustainable development by post to us at 5/F, 180 Hennessy Road, Wan Chai, Hong Kong.

1. Environmental Protection

To demonstrate the Group's commitment to sustainable development and compliance with the laws and regulations relating to environmental protection, we strive to minimize the environmental impacts of our business activities and maintain green operations and green office practices.

The Group attaches great importance to the impact on the natural environment during business operations, and strives to promote feasible environmental protection measures, formulate environmental protection goals, reduce the impact of business operations on the natural environment, and promote the sustainable development of the Group. At this stage, the places where the Group's business may have environmental impacts are existing office spaces and production plants. In order to further reduce our impact on the natural environment, we have established the following environmental goals:

- Implementing garbage classification and recycling at office spaces with a legal disposal rate of hazardous waste of 100%;

- Ensuring that at production plants sewage and solid wastes generated in factories are discharged up to standards, major environmental pollution accidents are eliminated, and wastes are disposed of in accordance with the principles of recycling, harmlessness and reduction to avoid waste of resources;

- Achieving zero major environmental incident, with waste water, exhaust gas, air pollutant emissions and noise control meeting local requirements.

1.1 Emissions

The Group has complied with, and is governed by all relevant laws and regulations that have a significant impact on the Group in respect of emissions and greenhouse gases, discharges to water and land, and the generation of hazardous and non-hazardous wastes, including the Law on 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》), and the Law on 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》). A set of relevant guidelines has been prepared by the headquarters of the Group with reference to relevant regulations and national standards for the members of the Group to observe such rules and requirements in their daily operations. During the year, the Group had not been subject to any fines or related litigation arising out of any alleged environmental pollution.

The greenhouse gas emissions of the Group are on the one hand generated from the electricity consumed by the operations at the Group's office, the two production plants of the manufacturing business and automotive dealership stores, and on the other hand generated from the vehicle fuel consumption, paper waste and wastewater of the Group. To reduce carbon emissions, in addition to electricity-saving measures, the Group actively promotes green energy and adopts photovoltaic systems in production plants. Furthermore, the Group highly advocates green practices among the staff, promotes paper reuse and continuously reuses the wastewater after treatment, which have effectively reduced carbon dioxide emissions. The Group's emissions of carbon dioxide were 5,096.75 tonnes in 2022, representing a decrease of 1,576.7 tonnes as compared with 2021, of which direct greenhouse gas emissions (Scope 1) were 662.57 tonnes, and indirect greenhouse gas emissions (Scope 2) associated with purchased electricity were 4,434.17 tonnes. The intensity of carbon dioxide emissions of the Year (calculated by per employee) was 6.49 tonnes per person.

The waste gas emissions of the Group (including nitrogen oxides, sulfur oxides and particulate matters) are mainly derived from the use of vehicles. In order to reduce waste gas emissions, the Group regularly repairs and cleans vehicles, uses high-quality gasoline, and encourages its employees to use public transportation. The reduction in business travel activities during the epidemic also brought down total waste gas emissions. The Group's waste gas emissions data in 2022 are as follows:

	2021	**2022**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Nitrogen oxides (tonnes)	0.0393	**0.0285**	27.22	0.0000364
Sulfur dioxide (tonnes)	0.0009	**0.0006**	28.06	0.0000008
Particulate matters (tonnes)	0.0029	**0.0002**	27.38	0.0000026

Among various wastes generated from the operations of the Group, hazardous wastes mainly include office wastes (including used toner cartridges and ink cartridges) produced in the office of each of our subsidiaries; non-hazardous wastes mainly include waste tires, waste batteries and wastewater generated from operations. The Group sorts out and disposes of hazardous wastes and non-hazardous wastes. Wastes that can be recycled or reprocessed would be recycled and sold to relevant suppliers to save energy, whereas other wastes are handed over by the Group to qualified third parties for treatment legally so as to reduce the environmental impact. The Group places emphasis on wastewater emission management and adopts measures such as recycling and reuse to reduce wastewater emissions. The table below sets forth the volume of various wastes generated by the Group in 2021 and 2022, respectively.

Hazardous waste:

	2021	**2022**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Used toner cartridges (tonnes)	0.20	**0.10**	46.42	0.000136
Used ink cartridges (tonnes)	0.71	**0.36**	48.96	0.000461
Waste oil (tonnes)	0.11	**0.07**	30.55	0.000097

Non-hazardous waste:

	2021	**2022**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Waste tires (tonnes)	0.006	**0.003**	48.73	0.0000039
Waste batteries (tonnes)	0.015	**0.008**	42.07	0.0000110
Wastewater (tonnes)	26,085.020	**7,008.01**	73.13	8.92

1.2 *Use of Resources*

The Group's main consumption of resources comprises of water, electricity and paper (including paper used in offices and paper for packaging). In the course of operation, the Group actively advocates the idea of green offices and reduces the consumption of resources by various measures. For example:

- reduce the consumption of disposable packaging materials, and gradually change the packaging materials for accessories from paper boxes to recyclable plastic boxes;

- adopt computerized automatic car wash technology to save the consumption of water and electricity;
- post slogans advocating water conservation and electricity saving in public areas;
- turn off water and electricity in advance for festivals and holidays, and assign designated staff for management, so as to avoid unnecessary waste of resources during rest days;
- adopt LED energy-saving light bulbs in both office areas and business places, with separate control by zone and row;
- prioritize the use of webcam conferences to minimize the unnecessary carbon emissions generated from long and short-haul business travels; and
- adopt the OA (office automation) system for document approval and reimbursement, and use fingerprints for attendance records, so as to realize a paperless office.

By adopting the various energy-saving measures above, the Group's consumption of water, electricity and paper significantly decreased in 2022. The total water consumption of the Group amounted to 47,351.3 tonnes in 2022, representing a decrease of 70.24% as compared with 2021 or a reduction of 111,789.26 tonnes as compared with the total consumption in 2021. The Group's water is mainly from municipal water supply pipelines and there is no difficulty in accessing water. The Group formulates management plans on a yearly basis, and reduces water consumption and energy consumption through daily operation control, inspection and maintenance to achieve annual water conservation and energy-saving targets. The total electricity consumption of the Group amounted to 5,317,269 kWh in 2022, representing a decrease of 440,956.31 kWh as compared with 2021. The Group consumed a total of 284,647 pieces of office paper in 2022, representing a decrease of 530,353 pieces as compared with 2021. The packaging materials used by the Group are primarily cardboard, paper and plastic, with a total volume of packaging materials of 3,485.1 tonnes in 2022 (2021: 3,884.51 tonnes), representing a decrease of 399.41 tonnes as compared with 2021.

	2021	**2022**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Water (kilotonnes)	159.14	**47.35**	70.24	0.06
Electricity (thousand kWh)	5,758.22	**5,317.26**	7.65	6.77
Office paper (pieces)	815,000.00	**284,647.00**	65.07	362.60

1.3 The Environment and Natural Resources

The material impacts of the Group on the environment and natural resources during the course of production are mainly caused by water and electricity consumption as well as carbon emissions. To minimize its impact on the environment and natural resources, the Group not only strictly complies with various environmental laws and regulations, but also implements clean operation by upholding technology innovation, continuously improving resource efficiency and reducing the emissions of wastes.

1.4 Climate Change

Climate change poses a threat to our planet and all human beings and is a major challenge we all have to face. The automotive industry to which we belong is a major source of global carbon emissions. Therefore, the Group shoulders an important responsibility in the mitigation of carbon emissions and other factors that accelerate climate change. At the same time, we recognize that climate change presents both major risks and opportunities to our operations in various aspects. For instance, extreme weather conditions may result in more frequent and violent typhoons that may cause damage to the Group's operations. As such, we will closely monitor the updates from observation stations during typhoon seasons and plan for the logistics ahead in order to prevent disruption to our operations. In addition, the natural environment may change accordingly, potentially increasing the procurement costs of the Group's products. We will continue to minimize the impact of the Group's operations on the environment, slowing down the pace of climate change.

2. Social Responsibility

2.1 Employment and Labor Practices

The Group believes that maintaining good relationships with its employees is a key factor in achieving success. To ensure employee satisfaction, the Group provides competitive employee benefits and comprehensive training programs to encourage employees to tap into their potential and bring out the best in them.

The Group has adopted practices and policies relating to: (i) recruitment and promotion; (ii) working hours; (iii) rest periods; (iv) equal opportunity; (v) diversity; (vi) anti-discrimination; (vii) other welfare and benefits; and (viii) compensation and dismissal to protect the legitimate rights and interests of all employees. These practices and policies are also prepared in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and regulations and have complied with all relevant laws and regulations. Through these practices and policies, the Group aims to treat every employee equally and ensure that no staff, including potential candidates of the Group, will be discriminated due to their social identities in respect of ethnicity, race, nationality, gender, religion, age, sexual orientation and marital status.

Each member of the Group has adopted an employee handbook, which contains information regarding employment management, rights on termination, business conduct, social security funds, compensation, employee benefits, leave benefits, working hours/overtime and performance management and other policies on employee benefits. The Group provides employees with competitive remuneration packages. In addition to statutory benefits, the Group has set up the "Share Option Scheme" to provide the Directors and employees with incentives and rewards for their contributions to the success of the Group.

To raise employees' sense of belonging and happiness, the Group also organizes a wide array of recreational and sports activities to enrich employees' work and life, and improve employees' experience at work.

Total workforce by gender, age group, employment type and geographical region:

Category		**FY2021/22**	FY2020/21	FY2019/20
Number of employees by gender	Male	**397**	693	868
	Female	**388**	457	535
Number of employees by age group	18-30	**115**	297	389
	31-40	**297**	578	658
	41-50	**249**	194	259
	Over 51	**124**	81	97
Number of employees by employment type	Full time	**785**	969	1,142
	Part time		181	261
Number of employees by geographical region	Shanghai	**489**	684	734
	Inner Mongolia Autonomous	**122**	269	399
	Shandong Province	**174**	197	213
	Other regions	**–**	–	57
Total number of employees		**785**	1,150	1,403

Employee turnover rate by gender, age group and geographical region:

Category		**FY2021/22**	FY2020/21	FY2019/20
Turnover rate by gender	Male	**112**	175	137
	Female	**129**	78	259
Turnover rate by age group	18-30	**97**	92	107
	31-40	**108**	80	232
	41-50	**28**	65	46
	Over 51	**8**	16	11
Turnover rate by geographical region	Shanghai	**195**	50	160
	Inner Mongolia Autonomous	**42**	130	160
	Shandong Province	**4**	16	44
	Other regions	**–**	57	32
Total turnover rate		**31%**	22%	28%

2.2 Health and Safety

To safeguard employees' occupational health and safety, the Group commits to providing a safe, healthy and comfortable working environment, and complies with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Work – Related Injury Insurance (《工傷保險條例》) and other applicable regulations. Employees are required to strictly comply with all safety rules and regulations, and take available and applicable protection measures at all times to avoid accidents, so as to protect themselves and coworkers from safety risks. All employees of the Group are provided with adequate safety equipment and covered by work-related injury insurance, which compensates our employees to a certain extent in case of work-related injuries as required by relevant laws and regulations. For newly-recruited employees, relevant training will be arranged to ensure that such employees fully understand the rules set out in the employee handbook, including those concerning work-related risks and corresponding protective measures. At the factories of the Group, the supervisors of new employees are responsible for closely monitoring their activities in production plants to protect the health and safety of such new employees.

In addition to safety training, the Company organizes fire safety seminars annually to ensure that employees understand and are familiar with fire safety and fire rescue knowledge. Fire drills are arranged when necessary and as appropriate. In our offices, various fire safety facilities have been installed, including fire sprinkler systems, fire extinguishers, fire hoses, etc., and are regularly maintained by external professional teams to reduce fire hazards and improve the fire safety awareness among employees.

With the outbreak of COVID-19, the Group has taken measures to safeguard the safety of its employees and internal security of the Group, and to ensure business continuity. In response to the public health measures of the PRC government, the Group has promptly set up crisis management teams in its production plants in China to coordinate and arrange for the provision of services to maintain normal operations. Except for the lockdown periods in the PRC, the Group has enhanced environmental hygiene in its working areas upon resumption of operations to ensure a healthy and safe working environment, such as providing sufficient protective equipment and surgical masks to its employees and conducting stringent temperature checks on its employees and suppliers before they enter premises. The Group has also issued guidelines to its staff to advise on the reporting measures in case of COVID-19 outbreaks among its staff and relevant family members.

For the past three years (including the Year), there were no work-related fatalities. The number of lost days due to work injury during the Year was 180.

2.3 *Development and Training*

The Company considers the employees as key assets which play a pivotal role in our continuous growth. It is our policy to maximize the potential of our employees through training and development.

To encourage employee development, the Group provides human resources training, including customized training programs, to help employees develop managerial knowledge and other professional skills that can help them advance their careers.

New employees are provided with induction training to help them familiarize themselves with the culture, business and operations of respective subsidiaries of the Group. In addition, to enhance the professional skills of employees, the Group organizes different business training programs about business knowledge, management techniques, and innovation trends by lectures and seminars on a regular basis. Below are the photos of the training events conducted by the subsidiaries of the Group.

The Group has developed a scientific performance evaluation management system to ensure that the criteria of performance evaluations are open, and the processes and results of evaluations are just and fair. Individual performance results are linked with the employee's income and opportunities for promotion within the Group.

Category		**FY2021/22**	FY2020/21	FY2019/20
Percentage of employees trained by gender	Male	**100%**	100%	100%
	Female	**100%**	100%	100%
Average training hours completed per employee by gender	Male	**46**	52	47
	Female	**46**	52	47
Percentage of employees trained by employment type	Full time	**100%**	100%	100%
	Part time	**98%**	99%	98%
Average training hours completed per employee by employment type	Full time	**46**	54	48
	Part time	**44**	46	44
Percentage of employee trained by employee category	Senior management	**100%**	100%	100%
	Middle management	**100%**	100%	100%
Average training hours completed per employee by employee category	Senior management	**48**	50	46
	Middle management	**46**	55	50

2.4 *Labor Standards*

The Group strictly prohibits child labor and forced labor, and complies with all relevant laws and regulations that have a significant impact on the Group, including the provisions of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). We review and verify staff identity during the recruitment process to ensure that no child/forced labor is employed.

The Group also strictly complies with the relevant PRC labor regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. No employee is forced to work overtime and all employees are entitled to overtime pay in accordance with local regulations.

Once any violation is found, the Group will follow up in a serious manner and handle such case in accordance with national and local laws and regulations, depending on the actual situation.

2.5 *Supply Chain Management*

In the selection of our suppliers, the Group has certain criteria in place to examine supplier qualifications, including review of the qualifications of the enterprise's legal person, qualification level, registered capital, ISO quality certification, ISO environmental certification, ISO occupational health and safety certification, production safety, financial conditions and the environmental impact of their products or services. We also conduct on-site inspections on the suppliers' production plants and review the authenticity of the information provided by our suppliers.

The Group is also committed to ensuring that its suppliers are socially responsible. Suppliers are urged to take measures to mitigate environmental and social risks. The Group closely monitors the performance of its suppliers and the environmental and social risks at each step of the supply chain, and conducts assessments on a regular basis.

Currently, the Group has 313 suppliers, including 302 suppliers in China and 11 suppliers in overseas regions (including Hong Kong, Macao and Taiwan). The Group has implemented and complied with all the above procedures/standards when engaging these suppliers.

The Group has established an internal management team to monitor the implementation of the above procedures/standards.

2.6 *Product Responsibility*

The Group complies with various PRC regulations relating to its business operations in such aspects as health and safety, advertising, labelling and privacy matters relating to its products and services and method of redress, including the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

The Group recognizes the importance of guaranteeing the safety of its products and services. The manufacturing business of the Group adopts strict quality control systems throughout its design and production of auto accessories, has each process carried out in accordance with the highest production process standards and in strict compliance with IATF16949 quality system requirements throughout the manufacturing processes, which include incoming material inspection, manufacturing process control and ex-factory inspection, and has purchased product liability insurance for its products in accordance with applicable laws and regulations and the requirements of our customers. The service business of the Group carefully inspects the qualifications of its suppliers to ensure the quality of the products provided by those suppliers.

The Group's customer information is centrally managed through a customer relationship management system. All employees of the Group, particularly those engaged in the Group's service business, are required to keep the information of our customers strictly confidential. Any unauthorized use of the customer information is strictly prohibited.

During the Year, the Group was not aware of any violation of the laws and regulations on products and services (including product and service quality, advertising, labelling, customer privacy, and consumer rights and interests) which had a material impact on the Group. During the Year, the Group did not have any products recalled due to health and safety reasons nor any product related complaints.

The Group upholds the value to protect intellectual property rights as it is crucial for competitiveness and brand value. We have organized training and established internal controls in protecting the Group's intellectual property rights. We offer training on intellectual property to new hires to enhance their awareness of intellectual property protection. In daily work, we sign non-disclosure agreements with employees, and require each department to carry out periodical patent training, explore patent application potential, stay up-to-date with industry trends, and continually improve our intellectual property protection system. Meanwhile, we respect the intellectual property rights of others and take every possible step to avoid infringing others' intellectual property rights. We only procure products from suppliers directly or through officially authorized distributors. We strictly comply with the relevant laws and regulations where our operations are based.

The Group has established quality control procedures for its product, which are completed through examination by quality department according to the quality inspection standards. The Group has also established proper return and recall procedures for defective products, which are completed through communication with customers by business personnel, re-examination by quality department, reworking, repair and re-delivery of the return and recall products by the manufacturing department according to the requirements from customers or quality inspection standards. The Group provides a holistic product return and recall system to enhance its customers experience with its service. The Group adopts the repair, replace and recall procedure on defective products through its recall management procedure in a timely manner to prevent personal injury and property loss caused by safety and quality defects.

The Group attaches importance to the privacy of personal data. The overall goal of data protection is to collect personal data fairly under the condition that the information providing party is ensured to be fully aware of, and to consider collecting less personal data as far as possible. The personal data shall be processed in a safety way upon collection, and stored for a period demanded for their usage. The use of data shall be subject to the original collecting purpose or relevant usage. The data providing party shall be entitled to consult their data and make correction if needed. The Group has also established an internal management team to monitor the implementation of the abovementioned procedures.

2.7 *Anti-corruption*

The Group maintains a high level of business integrity throughout its operations, has zero tolerance over corruption or bribery in any form, and strictly complies with the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations relating to anti-corruption, bribery, extortion, fraudulent behavior and money laundering.

The Group has also established a code of conduct (including the Reporting System for Anti-corruption, Anti-bribery and Anti-misconduct (《反貪污、反賄賂和不當行為舉報管理制度》) to combat and prevent the occurrence of bribery, corruption, extortion and other illegal activities within the Group. A whistle-blowing policy is included in the code of conduct to encourage employees, suppliers and customers of the Group to report any such alleged illegal activities within the Group. The Group also provides directors and staff with training on anti-corruption, which mainly include holding lectures and organizing courses.

During the Year, there were no concluded legal cases regarding corrupt practices against the Company or its employees.

The Group encourages all employees and third parties to report any actual or potential misconduct of violating applicable laws, regulations, the above-mentioned system and any misconduct involving the Group. The whistle-blower may send e-mail to ethics@nfa360.com. Each relevant business department of all members of the Group must offer the abovementioned reporting method in writing to all customers of the Group. Each relevant procurement department of all members of the Group must demand their suppliers to sign the undertaking statement. No matter the report is in real name or anonymous, the Group will strictly protect the whistleblower confidentiality. Retaliation against the whistle-blower by any staff or third parties is strictly prohibited. Should any retaliation including pay cuts, transferring of positions or dismissal or other forms of retaliation is detected, whether obvious or hidden, in public or in secret, the person or party who retaliates would be subject to stern punishment.

The management of the Group is responsible for the implementation and inspection of the abovementioned relevant measures and whistle-blowing procedure.

2.8 *Community Investment*

The Group is, as always, committed to its social responsibility and community communication, and has conducted related community activities according to the needs of the community. With social responsibility in mind, the Group has been ramping up its efforts in charity work. The Group strives to promote social development and progress by contributing to education, charity and other areas. Although the Group did not make any donations during the Year (2021: Nil), it is considering investing appropriate resources in the future, so as to strike a balance between the financial position and social investments.

The Directors present their annual report for the Year and the audited consolidated financial statements (the "**Financial Statements**") of the Group for the Year.

Principal Activities

The Group focuses on the innovative production of environmentally friendly automotive lighting and automotive electronic power products (the Group's manufacturing business) as well as sales of automobile, provision of after sales services and distribution of automobile insurance and financial products (the automotive dealership and services business of the Group), with the aim of providing automobile consumers with products and services with premium performance-price ratio.

Details of the principal activities of the subsidiaries of the Company are set out in note 21 to the Financial Statements.

Business Review

Discussions and reviews of the Group's business are contained in the section headed "Management Discussion and Analysis" in this annual report. These discussions and reviews form part of this Report of the Directors.

Dividend Policy

The objective of the Company's dividend policy is to share the Company's profits with its shareholders whilst retaining adequate reserves for the Group's future growth. The Directors shall submit a resolution at the general meeting on whether to distribute a dividend based on various factors, including but not limited to the profit, liquidity, working capital, capital expenditure and future plans of the Group. The Group shall also comply with the related requirements of the Companies Law of the Cayman Islands, the Articles and any applicable laws and regulations.

Results and Dividends

The consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 to 63 of this annual report. An analysis of turnover and segmental results for the Year by geographical and business segments is set out in note 6 to the Financial Statements.

The Directors do not recommend the payment of a final dividend for the Year (2021: Nil).

Property, Plant and Equipment

Details of the movements of property, plant and equipment of the Group during the Year are set out in note 17 to the Financial Statements.

Investment Properties

Details of the movements of investment properties of the Group during the Year are set out in note 20 to the Financial Statements.

Reserves

Movements of reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 30 to the Financial Statements.

Share Capital

Details of the issued share capital of the Company and its movements during the Year along with the relevant reasons are set out in note 29 to the Financial Statements.

Distributable Reserves

Under the Companies Law of the Cayman Islands, a share premium amounting to approximately RMB1,098,879,000 is distributable to shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to settle its debts as they fall due in the ordinary course of business.

As at 31 December 2022, the reserve available for distribution to shareholders of the Company was nil.

Closure of Register of Members

The register of members will be closed from Thursday, 1 June 2023 to Thursday, 8 June 2023 (both days inclusive), during which period 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 Hong Kong Branch Share Registrar, 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 Wednesday, 31 May 2023.

Directors

The Directors who held office during the Year and up to the date of this annual report were:

Executive Director

Mr. Tong Fei *(Acting Chairman with effect from 12 January 2023)*

Non-executive Director(s)

Mr. Wang Zhenyu *(resigned on 12 January 2023)*
Mr. Zhang Jianxing *(Acting Chairman, resigned on 12 January 2023)*

Independent Non-executive Director(s)

Mr. Hu Yuming *(resigned on 14 March 2023)*
Mr. Li Qingwen *(appointed on 12 January 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*

Biographical details of the current Directors are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

Directors (Continued)

Mr. Tong Fei and Mr. Li Qingwen will retire by rotation at the forthcoming annual general meeting of the Company. All such Directors being eligible, offer themselves for re-election.

The Company has received from Mr. Li Qingwen a confirmation of independence. The Company considers that Mr. Li Qingwen is independent.

Directors' Service Contracts

None of the Directors had entered into service contracts with the Company which are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

There was not any transaction, arrangement or contract of significance subsisting during or at the end of the Year in which any Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

Management Contracts

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the Year or at 31 December 2022.

Controlling Shareholders' Interests in Contracts

No contract of significance had been entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the Year. In addition, no contract of significance for the provision of services was entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the Year.

Share Option Scheme

The Company terminated the old share option scheme and adopted a new share option scheme (the "**Scheme**") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group, subject to compliance with the latest version of Chapter 17 of the Listing Rules. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date and the remaining life of the Scheme is approximately 1 year and 2 months. A summary of the principal terms of the Scheme was included in the circular dated 30 April 2014 dispatched to the shareholders of the Company.

The maximum number of shares issued and which may be issued under share options granted to each eligible participant in the Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval by the independent non-executive Director(s). In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in the 12-month period up to and including the date of the grant of share options in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' prior approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Scheme. The terms of the Scheme do not specify the period within which a share option may be exercised by the grantee or the vesting period, but specify that the Board may at its sole discretion, fix the period within which a share option may be exercised, the vesting period, any performance targets that must be achieved and any other conditions which must be achieved before a share option can be exercised.

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant.

As at 31 December 2022 and/or as at the date of this annual report, no options granted by the Company under the Scheme remained outstanding; and the total numbers of shares available for issue/grant under the Scheme were/are both 363,076,327, representing approximately 2.11% of the total number of shares in issue as at 31 December 2022 and the date of this annual report (as at 1 January 2022: 363,076,327).

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

As at 31 December 2022, to the best knowledge of the Directors and chief executive of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

So far as is known to the Directors and chief executive of the Company, as at 31 December 2022, the following persons (other than Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	**Capacity/ Nature of interest**	**Number of shares interested** *(Note 1)*	**Approximate percentage of issued shares** *(Note 2)*
Daodu (Hong Kong) Holding Limited	Beneficial owner	10,449,312,134 (L)	60.69%
Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Guorui Xin Fukesi Investment Center, L.P.* (青島國瑞新福克斯投資中心（有限合夥）) (the "**Fund**") *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Name	Capacity/ Nature of interest	Number of shares interested *(Note 1)*	Approximate percentage of issued shares *(Note 2)*
Chunxi Asset Management (Beijing) Co., Ltd.* (春熙資產管理(北京)有限公司) ("**Chunxi AM**") *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Luo Xiaoman *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Guorui Hengda Investment Development Co., Ltd.* (青島國瑞恒達投資開發有限公司) ("**Guorui Hengda**") *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司) *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Laixi State-owned Assets Investment Service Center* (萊西市國有資產投資服務中心) *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Qingdao Lingdu Venture Capital Management Co., Ltd.* (青島零度創業投資管理有限公司) (the "**General Partner**") *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Wuhan Zero Innovation Venture Capital Management Co., Ltd.* (武漢零度創新創業投資管理有限公司) (the "**Investment Manager**") *(Note 3)*	Investment Manager	10,449,312,134 (L)	60.69%
Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Name	Capacity/ Nature of interest	Number of shares interested *(Note 1)*	Approximate percentage of issued shares *(Note 2)*
Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司) ("**OVU**") *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
China Electronics Optics Valley Union Company Limited *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
AAA Holdings Limited *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
China Electronics Optics Valley Union Holding Company Limited ("**CEOVU**") *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
Huang Liping *(Note 3)*	Interest in a controlled corporation	10,449,312,134 (L)	60.69%
CDH Fast Two Limited	Beneficial Owner	1,614,776,043 (L)	9.38%
CDH Fast One Limited *(Note 4)*	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
Fast Point Limited *(Note 4)*	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
CDH Fund IV, L.P. *(Note 4)*	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
CDV IV Holdings Company Limited *(Note 4)*	Interest in a controlled corporation	1,614,776,043 (L)	9.38%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Name	Capacity/ Nature of interest	Number of shares interested *(Note 1)*	Approximate percentage of issued shares *(Note 2)*
China Diamond Holdings IV, L.P. *(Note 4)*	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
China Diamond Holdings Company Limited *(Note 4)*	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
Hong Kong Prosper Way Investment Ltd	Beneficial owner	1,633,361,905(L)	9.49%

Notes:

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

2. The percentage represents the number of shares interested divided by the total number of issued shares of the Company as at 31 December 2022 of 17,216,948,349.

3. Each of (i) Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) (as the sole shareholder of Daodu (Hong Kong) Holding Limited); (ii) Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) (as the sole shareholder of Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司)); (iii) the Fund (which directly owns 99.11% of Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司));(iv) Chunxi AM (which directly owns 50.92% of the Fund); (v) Luo Xiaoman (who directly owns 82.50% of Chunxi AM); (vi) Guorui Hengda (which directly owns 48.92% of the Fund); (vii) Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司)(as the sole shareholder of Guorui Hengda); (viii) Laixi State-owned Assets Investment Service Center* (萊西市國有資產投資服務中心) (as the sole shareholder of Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司)); (ix) the General Partner (as the general partner of the Fund); (x) the Investment Manager (as the investment manager of the Fund);(xi) Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) (as the sole shareholder of the General Partner); (xii) OVU (which directly owns 45% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司)); (xiii) Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) (as the sole shareholder of OVU); (xiv) China Electronics Optics Valley Union Company Limited (as the sole shareholder of Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司)); (xv) AAA Holdings Limited (as the sole shareholder of China Electronics Optics Valley Union Company Limited); (xvi) CEOVU (as the sole shareholder of AAA Holdings Limited); and (xvii) Huang Liping (who indirectly owns 25.14% of CEOVU and ultimately and beneficially owns 80% and 40% of two limited partnerships which directly owns 30% and 25% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司), respectively), is deemed to be interested in the shares of the Company under the SFO.

4. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); Fast Point Limited (as the sole shareholder of CDH Fast One Limited); CDH Fund IV, L.P. (as the sole shareholder of Fast Point Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be indirectly interested in the Company under the SFO.

* The English names are transliterations of their respective Chinese names which have not been registered.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Arrangements to Purchase Shares or Debentures

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

Equity-linked Agreements

Save for the Scheme as disclosed in the section headed "Share Option Scheme" and the Subscription as disclosed in the section headed "Completion of issue of subscription shares under specific mandate" in this annual report, no equity-linked agreement was entered into or subsisted during the Year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Connected Transactions

For the year ended 31 December 2022, there were no connected transactions or continuing connected transactions of the Company which require compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Permitted Indemnity

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. In accordance with the Articles and subject to any applicable laws and regulations, every Director for the time being shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

Directors' Interests in Competing Business

As at 31 December 2022 and up to the date of this annual report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

Major Customers and Suppliers

Sales to the Group's five largest customers were less than 30% of the total revenue for the Year. Purchases from the Group's five largest suppliers were less than 30% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Basis of Determining the Emolument Payable to the Directors

The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. In determining the remuneration of the Directors, the Company takes into account each Director's qualifications, experience, duties and responsibilities with the Company, as well as the Company's performance and the prevailing market conditions.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holdings in the shares of the Company.

Public Float

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained a sufficient public float, being 25% of the issued share capital of the Company, as required under the Listing Rules.

Auditors

The Financial Statements have been audited by HLB Hodgson Impey Cheng Limited, the auditors of the Company, which will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Tong Fei
Executive Director

Hong Kong, 24 April 2023

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
NEW FOCUS AUTO TECH HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of New Focus Auto Tech Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 62 to 155, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditors' responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in our audit
Allowance for expected credit losses on trade and other receivables	
Refer to notes 23(a), 23(b) and 37(a) to the consolidated financial statements As at 31 December 2022, the Group had the trade receivables and other receivables, of approximately RMB101,051,000 and RMB903,406,000 respectively before the loss allowance amounting to approximately RMB14,596,000 and RMB336,185,000 has been made on trade receivables and other receivables respectively. Loss allowances for expected credit losses from trade receivables and other receivables are based on management's estimate of the lifetime or 12-months expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue receivables, customers' and debtors' repayment history, collaterals and financial position, the capability of repayment. The expected credit rates on these receivables are determined based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without under cost or effort. At every reporting date, the historical observed default rate are reassessed and change in the forward-looking information is considered. All of which involve significant degree of management judgement and estimation. We focused on this area due to the impairment assessment of trade receivables and other receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to the management's expected credit losses assessment on trade and other receivables included but not limited to: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk; • Checking, on a sample basis, the aging profile of the trade and other receivables as at 31 December 2022 to the underlying financial records and past year-end settlement to bank receipts; and • Assessing the reasonableness of management's loss allowance estimate on trade and other receivables by examining the information used by management to form such judgements, including on a sample basis, testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information. We found that the management judgment and estimates used to assess the recoverability of trade and other receivables and determine the impairment provision to be supportable by available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and the Audit Committee for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' responsibilities for the audit of the consolidated financial statements *(Continued)*
We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats of safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 24 April 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022 *(Expressed in Renminbi)*

	Notes	**2022 RMB'000**	2021 RMB'000
Continuing operations:			
Revenue	*6*	**591,671**	728,142
Cost of sales and services		**(490,324)**	(625,688)
Gross profit		**101,347**	102,454
Other income	*7*	**7,255**	5,692
Other gains or losses, net	*8*	**8,350**	(30,608)
Allowance for expected credit losses on trade receivables, and other receivables, net		**(21,002)**	(1,864)
Impairment loss of property, plant and equipment		**–**	(12,852)
Written down of inventories		**(10,330)**	(260)
Distribution costs		**(42,023)**	(62,615)
Administrative expenses		**(56,990)**	(60,832)
Finance costs	*9*	**(30,506)**	(25,885)
Loss before taxation from continuing operations	*10*	**(43,899)**	(86,770)
Income tax expense	*12*	**(3,898)**	(15,960)
Loss for the year from continuing operations		**(47,797)**	(102,730)
Discontinued operation			
Profit for the period from discontinued operations, net of income tax	*14*	**–**	13,779
Loss for the year		**(47,797)**	(88,951)
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**4,764**	1,883
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		**–**	(9,492)
Other comprehensive income/(loss) for the year, net of tax		**4,764**	(7,609)
Total comprehensive loss for the year		**(43,033)**	(96,560)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022 *(Expressed in Renminbi)*

	Note	**2022 RMB'000**	2021 RMB'000
(Loss)/profit for the year attributable to			
Equity shareholders of the Company			
– from continuing operations		**(48,503)**	(101,618)
– from discontinued operations		**–**	16,823
		(48,503)	(84,795)
Non-controlling interests			
– from continuing operations		**706**	(1,112)
– from discontinued operations		**–**	(3,044)
		706	(4,156)
		(47,797)	(88,951)
Total comprehensive (loss)/income attributable to			
Equity shareholders of the Company			
– from continuing operations		**(43,739)**	(109,227)
– from discontinued operations		**–**	16,823
		(43,739)	(92,404)
Non-controlling interests			
– from continuing operations		**706**	(1,112)
– from discontinued operations		**–**	(3,044)
		706	(4,156)
		(43,033)	(96,560)
(Loss)/earnings per share:	*16*		
Basic and diluted (RMB cents)			
– from continuing operations		**(0.68)**	(1.50)
– from discontinued operations		**–**	0.25
– from continuing and discontinued operations		**(0.68)**	(1.25)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022 *(Expressed in Renminbi)*

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	*17*	**66,738**	62,272
Right-of-use assets	*18*	**30,829**	13,433
Deposit paid for right-of-use assets		**–**	17,922
Investment properties	*20*	**38,975**	47,162
Deferred tax assets	*27*	**3,623**	3,682
		140,165	144,471
Current assets			
Inventories	*22*	**121,013**	131,849
Trade receivables	*23(a)*	**86,455**	143,710
Financial assets at fair value through profit or loss	*28*	**457**	880
Deposits, prepayments and other receivables	*23(b)*	**1,070,211**	582,670
Cash and cash equivalents	*31*	**275,139**	38,929
		1,553,275	898,038
Current liabilities			
Trade payables	*25(a)*	**227,147**	246,487
Accruals and other payables	*25(b)*	**187,235**	163,904
Contract liabilities	*25(c)*	**251,240**	44,413
Lease liabilities	*26*	**2,494**	2,796
Tax payable		**6,246**	3,667
Bank and other borrowings	*24*	**269,149**	264,035
		943,511	725,302
Net current assets		**609,764**	172,736
Total assets less current liabilities		**749,929**	317,207

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	*26*	**156**	2,600
Deferred tax liabilities	*27*	**9,789**	9,820
Bank and other borrowings	*24*	**37,000**	110,326
		46,945	122,746
Net assets		**702,984**	194,461
Capital and reserves			
Share capital	*29*	**1,490,706**	556,286
Reserves	*30*	**(803,566)**	(376,487)
Total equity attributable to equity shareholders of the Company		**687,140**	179,799
Non-controlling interests		**15,844**	14,662
Total equity		**702,984**	194,461

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 April 2023:

Tong Fei
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000 *(Note 29)*	**Share premium** RMB'000 *(Note 30(i)(a))*	**Statutory reserve fund** RMB'000 *(Note 30(i)(b))*	**Enterprise expansion fund** RMB'000 *(Note 30(i)(c))*	**Capital redemption reserve** RMB'000 *(Note 30(i)(d))*	**Exchange reserve** RMB'000 *(Note 30(i)(e))*	**Others** RMB'000 *(Note 30(i)(f))*	**Accumulated losses** RMB'000	**Attributable to equity shareholders of the losses** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2021	556,286	1,482,219	46,464	2,756	1,545	(16,786)	13,149	(1,813,430)	272,203	652	272,855
Loss for the year	–	–	–	–	–	–	–	(84,795)	(84,795)	(4,156)	(88,951)
Other comprehensive income/(loss)	–	–	–	–	–	1,883	(9,492)	–	(7,609)	–	(7,609)
Total comprehensive loss	–	–	–	–	–	1,883	(9,492)	(84,795)	(92,404)	(4,156)	(96,560)
Transfer to statutory reserves	–	–	1,328	–	–	–	–	(1,328)	–	–	–
Disposal of subsidiaries *(Notes 13 and 14)*	–	–	(3,874)	–	–	–	–	3,874	–	18,166	18,166
At 31 December 2021 and 1 January 2022	**556,286**	**1,482,219**	**43,918**	**2,756**	**1,545**	**(14,903)**	**3,657**	**(1,895,679)**	**179,799**	**14,662**	**194,461**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(48,503)**	**(48,503)**	**706**	**(47,797)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**4,764**	**–**	**–**	**4,764**	**–**	**4,764**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**4,764**	**–**	**(48,503)**	**(43,739)**	**706**	**(43,033)**
Transfer to statutory reserves	**–**	**–**	**2,469**	**–**	**–**	**–**	**–**	**(2,469)**	**–**	**–**	**–**
Deregistration of a subsidiary	**–**	**–**	**(1,079)**	**–**	**–**	**–**	**–**	**1,079**	**–**	**476**	**476**
Issue of shares	**934,420**	**(382,515)**	**–**	**–**	**–**	**–**	**–**	**–**	**551,905**	**–**	**551,905**
Transaction costs attributable to issue of shares	**–**	**(825)**	**–**	**–**	**–**	**–**	**–**	**–**	**(825)**	**–**	**(825)**
At 31 December 2022	**1,490,706**	**1,098,879**	**45,308**	**2,756**	**1,545**	**(10,139)**	**3,657**	**(1,945,572)**	**687,140**	**15,844**	**702,984**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Operating activities			
Loss before taxation			
– From continuing operations		**(43,899)**	(86,770)
– From discontinued operation		**–**	13,779
		(43,899)	(72,991)
Adjustments for:			
– Written down of inventories	*10*	**10,330**	3,839
– Depreciation of property, plant and equipment	*17*	**9,751**	14,250
– Depreciation of right-of-use assets	*18*	**1,114**	2,995
– Allowance for expected credit losses on trade receivables, deposits and other receivables	*10*	**21,002**	1,864
– Written-off of other receivables	*8*	**–**	35,347
– Interest income	*7*	**(422)**	(114)
– Interest expenses	*9*	**30,506**	25,885
– Loss on disposal of property, plant and equipment	*8*	**1,108**	3,872
– Fair value loss/(gain) on investment properties	*20*	**1,335**	(85)
– (Gain)/loss on disposal of subsidiaries	*13, 14*	**–**	(30,959)
– Loss on deregistration of a subsidiary	*8*	**1,554**	–
– Fair value loss on financial assets at fair value through profit or loss	*8*	**123**	50
– Impairment of property, plant and equipment	*19*	**–**	6,512
– Impairment of right-of-use assets	*19*	**–**	6,340
– Gain on lease modification	*8*	**–**	(4,167)
Operating cash flows before working capital changes		**32,502**	(7,362)
Decrease/(increase) in inventories		**506**	(8,774)
Decrease in trade receivables		**55,799**	5,876
(Increase)/decrease in deposits, prepayments and other receivables		**(494,777)**	28,480
Decrease in trade payables		**(19,340)**	(23,654)
Increase in accruals and other payables		**316**	2,887
Increase/(decrease) in contract liabilities		**206,827**	(24,536)
Cash used in operations		**(218,167)**	(27,083)
Income tax (paid)/refund		**(2,951)**	800
Net cash used in operating activities		**(221,118)**	(26,283)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Investing activities:			
Purchase of property, plant and equipment	*17*	**(9,531)**	(7,294)
Increase in deposit for right-of-use assets		**–**	(17,922)
Net cash outflow for disposal of subsidiaries	*13, 14*	**–**	(785)
Net cash outflow for deregistration of subsidiary		**(20)**	–
Interest received		**422**	114
Net cash used in investing activities		**(9,129)**	(25,887)
Financing activities			
Proceeds from bank and other borrowings		**263,992**	240,061
Proceeds from issue of shares, net		**551,080**	–
Repayment of bank and other borrowings		**(341,998)**	(190,913)
Repayment of lease liabilities		**(2,929)**	(6,269)
Interest paid		**(6,197)**	(16,281)
Net cash generated from financing activities		**463,948**	26,598
Net increase/(decrease) in cash and cash equivalents		**233,701**	(25,572)
Cash and cash equivalents at the beginning of the year		**38,929**	64,564
Effect of foreign exchange rate changes		**2,509**	(63)
Cash and cash equivalents at the end of the year		**275,139**	38,929
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		**275,139**	38,929

The accompanying notes form an integral part of these consolidated financial statements.

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 Daodu (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability as the immediate holding company, and Qingdao Guorui Xin Fukesi Investment Center, L.P., a limited partnership established in the PRC, 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"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The following provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). 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

– Financial assets at fair value through profit or loss.

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 Leases 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")

Application of amendments to IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS issued by IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

The application of the 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.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES

Business combination and basis of consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combination and basis of consolidation *(Continued)*

Basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combination and basis of consolidation *(Continued)*

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

4. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation of these assets commences when the assets are ready for their intended use. The historical cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments/(other to specify)" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The principal estimated useful lives are as follows:

Leasehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the remaining term of the lease but not exceeding 10 years
Plant and machinery	3~10 years
Motor vehicles	5 years
Office equipment, furniture and fixtures	3~5 years

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction as well as borrowing costs capitalised during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at their costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– right-of-use assets.

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, leasehold land and land use rights, right-of-use assets, to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

– Calculation of recoverable amount

The recoverable amount of property, plant and equipment, leasehold land and land use rights and right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of other assets *(Continued)*

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss before tax because of income or expense that are taxable or deductible in other years that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of a leased property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employees' benefits

(i) Short-term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution pension obligations

Contributions to defined contribution retirement plans are expensed when the services are rendered by the employees. The Group has no further payment obligation once the contributions have been paid.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Revenue and other income

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

Revenue and other income *(Continued)*

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

(i) *Sale of goods*

Revenue is recognised when the control of the automobile accessories are considered to have been transferred to the customer.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue and other income *(Continued)*

Revenue from contracts with customers (Continued)

(ii) Service income

Revenue arised from provision of automobile repair, maintenance and restyling services is recognised in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services.

Service income is recognised in the accounting period in which the provision of automobile repair, maintenance and restyling services occurs. Customers are invoiced upon the completion of services or on a regular basis.

Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognised at the stand-alone service price.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss upon on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other revenue and gains and losses” line item.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits and other receivables, amounts due from related parties, pledged time deposits and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accruals and other payables, lease liabilities and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and

- the amount recognised initially less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies set out above.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

5. 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.

Information about assumption and estimation uncertainties that might have a significant risk of resulting in a material adjustment includes the following:

Impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment assessment of property, plant and equipment and right-of-use assets *(Continued)*

As at 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets and, subject to impairment assessment were RMB66,738,000 and RMB30,829,000 (2021: RMB62,272,000 and RMB13,433,000) respectively, after taking into account the impairment losses of Nil and Nil, (2021: RMB6,512,000 and RMB6,340,000) in respect of property, plant and equipment and right-of-use assets, that have been recognised respectively. Details of the impairment of right-of-use assets and property, plant and equipment, are disclosed in Notes 17, 18 and 19 respectively.

Allowance for ECL recognised in respect for the trade and other receivables

The loss allowances for trade and other receivables 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 ECL assessment is disclosed in Notes 23(a), 23(b) and 37(a) to the consolidated financial statements.

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 20.

In relying on the valuation report, the Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, travel restrictions implemented by many countries, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, the carrying amount of the Group's investment properties is RMB38,975,000 (2021: RMB47,162,000).

6. REVENUE AND SEGMENT INFORMATION

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

Continuing operations:

	2022	2021
	RMB'000	RMB'000
Recognised at a point in time:		
Sales of goods	**573,096**	689,859
Services income	**18,575**	38,283
	591,671	728,142

Automobile repair, maintenance and restyling services are typically provided for a period of one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(a) Reportable segment

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

Continuing operations

The Group operates in two reportable segments of the manufacture and sale of automobile accessories (the "Manufacturing and Trading Business") and the operation of the 4S dealership stores and related business (the "Automobile Dealership and Service Business").

For the year ended 31 December 2021, the segment of trading of automobile accessories (the "Wholesale 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 and resources allocation.

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

(a) Reportable segment *(Continued)*

Set out below is an analysis of segment information:

	Continuing operations						Discontinued operations			
	The Manufacturing and Trading Business		The Automobile Dealership and Service Business		Sub-total		The Wholesale Business		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
External revenue	**450,389**	502,471	**141,282**	225,671	**591,671**	728,142	**–**	12,808	**591,671**	740,950
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Segment revenue	**450,389**	502,471	**141,282**	225,671	**591,671**	728,142	**–**	12,808	**591,671**	740,950
Reportable segment results	**13,802**	19,142	**(15,533)**	(11,954)	**(1,731)**	7,188	**–**	13,779	**(1,731)**	20,967
Interest income	**389**	56	**14**	36	**403**	92	**–**	–	**403**	92
Unallocated interest income					**19**	22	**–**	–	**19**	22
Total interest income					**422**	114	**–**	–	**422**	114
Interest expenses	**(9,796)**	(1,694)	**(6,421)**	(7,849)	**(16,217)**	(9,543)	**–**	–	**(16,217)**	(9,543)
Unallocated interest expenses					**(14,289)**	(16,342)	**–**	–	**(14,289)**	(16,342)
Total interest expenses					**(30,506)**	(25,885)	**–**	–	**(30,506)**	(25,885)
Allowance for expected credit losses on trade receivables, and other receivable, net	**(716)**	(208)	**(2,951)**	16,040	**(3,667)**	15,832	**–**	–	**(3,667)**	15,832
Unallocated allowance for expected credit losses on trade receivable, and other receivable, net					**(17,335)**	(17,696)	**–**	–	**(17,335)**	(17,696)
					(21,002)	(1,864)	**–**	–	**(21,002)**	(1,864)
Depreciation and amortisation charges	**(10,520)**	(9,224)	**(345)**	(7,620)	**(10,865)**	(16,844)	**–**	(401)	**(10,865)**	(17,245)
Reportable segment assets	**1,139,122**	411,672	**463,502**	461,599	**1,602,624**	873,271	**–**	–	**1,602,624**	873,271
Additions to capital expenditure	**27,092**	4,693	**949**	10,088	**28,041**	14,781	**–**	–	**28,041**	14,781
Reportable segment liabilities	**605,445**	426,937	**300,808**	285,405	**906,253**	712,342	**–**	–	**906,253**	712,342

Note: Capital expenditure consists of addition to property, plant and equipment and right-of-use assets.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Continuing operations:

	2022	2021
Loss before taxation		
Reportable segment (loss)/profit	**(1,731)**	7,188
Unallocated other income and gains or losses, net	**474**	(39,163)
Unallocated allowance for expected credit losses on trade receivables, deposits, and other receivable, net	**(17,335)**	(17,696)
Unallocated corporate expenses	**(11,018)**	(20,757)
Unallocated finance costs	**(14,289)**	(16,342)
Consolidated loss before taxation	**(43,899)**	(86,770)
Assets:		
Reportable segment assets	**1,602,624**	873,271
Unallocated corporate assets	**90,816**	169,238
Consolidated total assets	**1,693,440**	1,042,509
Liabilities:		
Reportable segment liabilities	**906,253**	712,342
Unallocated corporate liabilities	**84,203**	135,706
Consolidated total liabilities	**990,456**	848,048

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;
- 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 and partial right-of-use assets; and
- All liabilities are allocated to reportable segments, other than partial bank and other borrowings, partial accruals and other payables and partial lease liabilities.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, right-of-use assets and deposit paid for right-of-use assets ("specified non-current assets"):

	Revenue from external customers		Specified non-current assets	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (Place of domicile)	**216,285**	323,571	**136,542**	140,789
America	**322,220**	337,616	**–**	–
Europe	**18,212**	22,769	**–**	–
Asia Pacific	**34,954**	44,186	**–**	–
	591,671	728,142	**136,542**	140,789

The above revenue information is based on the locations of the customers. The non-current assets do not include deferred tax assets.

(d) Major customers

Revenue from customers during the reporting period contributing over 10% of the total revenue of the Group are as follows:

	2022	2021
	RMB'000	RMB'000
Customer A	**71,346**	N/A[1]

Note: Revenue derived from Customer A did not contribute 10% or more to the Group's total revenue in the corresponding year.

Except as disclosed above, no other customers contributed 10% or more of the Group's total revenue during the reporting period.

7. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Continuing operations:		
Mould sales	**3,232**	1,300
Sample income	**1,070**	1,052
Interest income	**422**	114
Gross rentals from investment properties	**1,666**	2,164
Others	**865**	1,062
	7,255	5,692

8. OTHER GAINS OR LOSSES, NET

	2022 RMB'000	2021 RMB'000
Continuing operations:		
Exchange gain/(loss), net	**9,703**	(6,772)
Fair value (loss)/gain on investment properties	**(1,335)**	85
Loss on disposal of property, plant and equipment	**(1,108)**	(3,872)
Government subsidies *(note)*	**1,999**	92
Written-off of other receivable	**–**	(35,347)
Fair value loss on financial assets at fair value through profit of loss	**(123)**	(50)
Gain on disposal of subsidiaries	**–**	11,089
Loss on deregistration of a subsidiary	**(1,554)**	–
Gain on lease modification	**–**	4,167
Others	**768**	–
	8,350	(30,608)

Note: During the year, the Group recognised RMB1,999,000 (2021: RMB92,000) as government subsidies for high new technology on manufacturing of electronic and power related automotive parts.

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Continuing operations:		
Interests on bank and other borrowings	**30,323**	23,337
Interests on lease liabilities	**183**	2,548
	30,506	25,885

10. LOSS BEFORE TAXATION

Continuing operations:

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

	2022 RMB'000	2021 RMB'000
Cost of inventories*	**490,324**	625,688
Depreciation of property, plant and equipment	**9,751**	13,849
Depreciation of right-of-use assets	**1,114**	2,995
Written down of inventories	**10,330**	260
Research and development expenses	**12,618**	15,037
Allowance for ECL on trade receivables, and other receivables, net	**21,002**	1,864
Auditors' remuneration		
– audit services	**2,500**	2,500
Gross rentals from investment properties	**(1,666)**	(2,164)
Less: Direct operating expenses incurred	**4**	4
	(1,662)	(2,160)
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**39,527**	61,815
Retirement scheme contributions	**6,387**	6,088
Other benefits	**2,220**	878
Total employee benefit expenses	**48,134**	68,781

* Costs of inventories include RMB62,841,000 (2021: RMB64,815,000) relating to employee benefit expenses and depreciation, which are also included in the respective total amounts disclosed separately above.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022					
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Executive director:						
Tong Fei (Acting Chairman)	–	1,323	–	–	–	1,323
Non-executive directors:						
Wang Zhenyu *(Note 1)*	–	–	–	–	–	–
Zhang Jianxing *(Note 2)*	–	–	–	–	–	–
Independent non-executive directors:						
Hu Yuming *(Note 5)*	100	–	–	–	–	100
Lin Lei *(Note 3)*	100	–	–	–	–	100
Zhang Xiaoya *(Note 4)*	100	–	–	–	–	100
	300	1,323	–	–	–	1,623

11. *DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)*

(a) Directors' remuneration *(Continued)*

	2021					
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Executive director:						
Tong Fei (Acting Chairman)	–	1,220	–	–	–	1,220
Non-executive directors:						
Wang Zhenyu *(Note 1)*	–	–	–	–	–	–
Zhang Jianxing	–	–	–	–	–	–
Independent non-executive directors:						
Hu Yuming *(Note 5)*	100	–	–	–	–	100
Lin Lei *(Note 3)*	100	–	–	–	–	100
Zhang Xiaoya *(Note 4)*	100	–	–	–	–	100
	300	1,220	–	–	–	1,520

Note:

1. Mr. Wang Zhenyu has resigned as a non-executive director on 12 January 2023.
2. Mr. Zhang Jianxing has resigned as a non-executive director on 12 January 2023.
3. Mr. Lin Lei has resigned as an independent non-executive director on 12 January 2023.
4. Mr. Zhang Xiaoya has resigned as an independent non-executive director on 12 January 2023.
5. Mr. Hu Yuming has resigned as an independent non-executive director on 14 March 2023.

11. *DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included one director (2021: one) whose emolument is reflected in the analysis presented in Note 11(a) above.

The emoluments paid or payment to the four (2021: four) highest paid employees who are not director of the Company are as follows:

	2022	2021
	RMB'000	RMB'000
Salaries and other allowances	**4,616**	3,960
Retirement scheme contributions	**104**	98
Total	**4,720**	4,058

The emoluments of the four (2021: four) individuals with the highest emoluments who are not directors of the Company are within the following bands:

	2022	2021
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**2**	1
	4	4

No discretionary bonus, inducement fee, employer's contribution to retirement scheme or compensation for loss of office was given to any of the above mentioned individuals during the year (2021: Nil).

None of the above mentioned individuals has waived or agreed to waive any emolument paid by the Group during the year (2021: Nil).

12. INCOME TAX

(a) Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 RMB'000	2021 RMB'000
Current Tax		
Provision for the year	**5,202**	4,064
Over-provision in respect of prior year	**(1,332)**	(1,187)
	3,870	2,877
Deferred tax		
Origination and reversal of temporary differences, net	**28**	13,083
	3,898	15,960

(b) No provision for Hong Kong profit tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2022 and 2021. 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% (2021: 25%) for the Year. One major PRC subsidiary of the Company renewed the qualification of high and new technology enterprise in the PRC and is entitled to a preferential income tax rate of 15% (2021: 15%) for three years from 12 November 2020.

(c) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2022 RMB'000	2021 RMB'000
Loss before taxation		
– Continued operations	**(43,899)**	(86,770)
– Discontinued operations	**–**	13,779
	(43,899)	(72,991)
Tax calculated at applicable tax rate of 25% (2021: 25%)	**(10,975)**	(18,248)
Tax effect of non-deductible expenses	**10,605**	23,435
Tax effect of income not taxable for tax purpose	**(3,001)**	(7,739)
Unrecognised tax losses	**7,520**	19,849
Effect of preferential tax treatments and tax exemptions	**(695)**	(1,579)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,776**	1,429
Over-provision in respect of prior year	**(1,332)**	(1,187)
Tax expense	**3,898**	15,960

13. DISPOSAL OF SUBSIDIARIES

Equity Disposal of Five Hulunbuir Companies

On 15 July 2021, Inner Mongolia Chuangying Auto Co., Ltd. ("Inner Mongolia Chuangying"), a subsidiary of the Company, entered into an equity transfer agreement with Inner Mongolia Zuolichi Auto Co., Ltd.* (內蒙古佐利馳汽車有限公司, "Zuolichi"). Pursuant to the equity transfer agreement, Zuolichi agreed to acquire 96% equity interests in Hulunbuir Lifeng Taidi Auto Sales Co., Ltd.* (呼倫貝爾市利豐泰迪汽車銷售有限公司), 96% equity interests in Hulunbuir Lifeng Wuling Automobile Sales and Services Co., Ltd.* (呼倫貝爾市利豐五菱汽車銷售服務有限公司), 96% equity interests in Hulunbuir Lifeng Tailing Automobile Sales and Services Co., Ltd.* (呼倫貝爾市利豐泰鈴汽車銷售服務有限公司), 96% equity interests in Hulunbuir Lifengtong Vehicle Store Co., Ltd* (呼倫貝爾市利豐通汽車行有限公司) and 96% equity interests in Hulunbuir Lifeng Tailai Auto Services Co., Ltd.* (呼倫貝爾市利豐泰萊汽車服務有限公司) held by Inner Mongolia Chuangying (the "Equity Disposal of Five Hulunbuir Companies") at the transfer consideration of RMB1,650,000, RMB1, RMB640,000, RMB1 and RMB1, respectively, totaling RMB2,290,003. After the completion of the Equity Disposal of Five Hulunbuir Companies on 5 July 2021, the abovementioned five companies ceased to be subsidiaries of the Company.

* The English name of the companies in the PRC are transliteration of their respective Chinese name which have not been registered.

Consideration received:

	RMB'000
Total consideration	2,290

13. DISPOSAL OF SUBSIDIARIES *(Continued)*

Equity Disposal of Five Hulunbuir Companies *(Continued)*

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,379
Inventories	1,986
Trade receivables	1,621
Deposits, prepayments and other receivables	14,514
Cash and cash equivalents	490
Trade payables	(2,344)
Accruals and other payables	(18,000)
Borrowings	(10,810)
Net liabilities disposed of	(9,164)
Gain on disposal of subsidiaries	
Transfer consideration	2,290
Net liabilities disposed of	9,164
Non-controlling interests	(365)
Gain on disposal	11,089
Net cash outflow arising on disposal:	
Cash received	–
Less: cash and cash equivalents balance disposed	(490)
	(490)

14. DISCONTINUED OPERATION

On 25 November 2021, 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 Liaoning Xin Tian Cheng Industrial Co., Limited ("Liaoning XTC"), Li Haidong and Chen Gaosen. Li Haidong was the chairman and general manager of Liaoning XTC and held approximately 27.64% equity interests in Liaoning XTC. Chen Gaosen was the then executive director and general manager of Zhejiang Autoboom Industry Co., Ltd.* (浙江歐特隆實業有限公司) (renamed as Zhejiang Autoboom Technology Co., Ltd.* (浙江歐特隆科技有限公司), "Zhejiang Autoboom"), a wholly-owned subsidiary of Liaoning XTC. Pursuant to the equity transfer agreement, New Focus Lighting & Power transferred its 40% and 10.098% equity interests held in Liaoning XTC to Li Haidong and Chen Gaosen (the "Equity Disposal of Liaoning XTC") at the transfer consideration of RMB1,600,000 and RMB400,000, respectively. After the completion of the equity disposal of Liaoning XTC on 1 December 2021, Liaoning XTC ceased to be a subsidiary of the Company.

* The English name of the companies in the PRC are transliteration of their respective Chinese name which have not been registered.

	For the period from 1 January 2021 to 1 December 2021 RMB'000
Loss from the retail services business for the period	(6,091)
Gain on disposal	19,870
Profit for the period from Liaoning XTC	13,779

14. DISCONTINUED OPERATION *(Continued)*

Analysis of the results of the Liaoning XTC are set out below:

	For the period from 1 January 2021 to 1 December 2021 RMB'000
Revenue	12,808
Cost of sales	(9,428)
Gross profit	3,380
Other income and gains or losses, net	348
Distribution costs	(4,377)
Administrative expenses	(5,442)
Finance costs	–
Loss before operations	(6,091)
Income tax expense	–
Loss for the period	(6,091)
Loss for the period attributable to:	
Owners of the Company	(3,047)
Non-controlling interests	(3,044)
	(6,091)

14. DISCONTINUED OPERATION *(Continued)*

Loss for the period from Liaoning XTC has been arrived at after charging:

	For the period from 1 January 2021 to 1 December 2021 RMB'000
Cost of inventories	9,428
Depreciation of property, plant and equipment	401
Employee benefit expenses:	
Salaries and allowances	2,364
Retirement scheme contributions	281
Other benefits	79
Total employee benefit expenses	2,724

14. DISCONTINUED OPERATION *(Continued)*

Consideration from Liaoning XTC for the year ended 31 December 2021

	RMB'000
Consideration received	**2,000**
Analysis of assets and liabilities over which control was lost:	
Other intangible assets	**2,663**
Inventories	**2,636**
Trade receivables	**2,474**
Deposits, prepayments and other receivables	**6,956**
Cash and cash equivalents	**2,295**
Trade payables	**(11,029)**
Deferred tax liabilities	**(666)**
Accruals and other payables	**(40,308)**
Tax payable	**(692)**
Net liabilities disposed of	**(35,671)**
Gain on disposal of subsidiaries:	
Consideration receivable	**2,000**
Net liabilities disposed of	**35,671**
Non-controlling interest	**(17,801)**
Gain on disposal	**19,870**
Net cash inflow arising on disposal:	
Consideration received	**2,000**
Less: cash and cash equivalents balance disposed	**(2,295)**
	(295)
Cash flows for the period from discontinued operation were as follows:	
Net cash flows used in operating activities	**(844)**
Net cash outflows from discontinued operation	**(844)**

15. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

16. LOSS PER SHARE

For the year ended 31 December 2022

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2022
	RMB'000
Loss	
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share loss	(48,503)

	2022
	'000
Number of shares	
Weighted average number of shares for the purpose of Calculating basic and diluted loss per share	7,082,547

Basic loss per share

For the year ended 31 December 2021

The computation of the basic loss per share from continuing operations is based on the loss for the year attributable to ordinary equity holders of the Company from continuing operations of RMB47,797,000 and the weighted average number of ordinary shares of 6,767,636,000 during the year ended 31 December 2021.

Discontinued operations

As at 31 December 2021, the computation of the basic earnings per share from discontinued operation is based on the profit for the period attributable to ordinary equity holders of the Company from discontinued operations of RMB16,823,000 and the weighted average number of ordinary shares of 6,767,636,000 during the year ended 31 December 2021.

Diluted (loss)/earnings per share

Continuing and discontinued operations

For the years ended 31 December 2022 and 2021, the computation of diluted (loss)/earnings per share from continuing and discontinued operations were the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Building RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Net carrying amount as at 1 January 2021	–	39,303	6,677	23,280	4,339	9,392	82,991
Additions	2,510	–	162	1,264	1,366	1,992	7,294
Disposals	–	–	(1,001)	(588)	(1,392)	(891)	(3,872)
Depreciation charge for the year	–	(3,398)	(2,838)	(3,213)	(1,095)	(3,706)	(14,250)
Impairment *(Note 19)*	–	–	(1,296)	(2,721)	(627)	(1,868)	(6,512)
Disposal of subsidiaries *(Note 13)*	–	–	(1,704)	(253)	(1,244)	(178)	(3,379)
Net carrying amount as at 31 December 2021 and 1 January 2022	2,510	35,905	–	17,769	1,347	4,741	62,272
Additions	2,497	–	176	6,178	423	257	9,531
Disposals	–	–	–	(677)	(721)	290	(1,108)
Transfer	(2,545)	2,545	–	–	–	–	–
Transfer from investment properties	–	6,852	–	–	–	–	6,852
Depreciation charge for the year	–	(3,478)	(18)	(3,696)	(88)	(2,471)	(9,751)
Deregistration of a subsidiary	–	–	–	(756)	–	(302)	(1,058)
Net carrying amount as at 31 December 2022	**2,462**	**41,824**	**158**	**18,818**	**961**	**2,515**	**66,738**
At 31 December 2021:							
Cost	2,510	83,376	13,248	148,253	13,478	54,512	315,377
Accumulated depreciation and impairment	–	(47,471)	(13,248)	(130,484)	(12,131)	(49,771)	(253,105)
	2,510	35,905	–	17,769	1,347	4,741	62,272
At 31 December 2022:							
Cost	2,462	92,773	13,423	152,430	13,054	53,964	328,106
Accumulated depreciation and impairment	–	(50,949)	(13,265)	(133,612)	(12,093)	(51,449)	(261,368)
	2,462	41,824	158	18,818	961	2,515	66,738

The Group's certain property, plant and equipment with aggregate net carrying amount of RMB38,768,000 (2021: RMB33,648,000) was pledged to secure the bank borrowing of the Group as detailed in Note 24.

18. *RIGHT-OF-USE ASSETS*

Right-of-use assets:

	Leasehold land and land use rights RMB'000	Leased properties RMB'000	Total RMB'000
Cost			
At 1 January 2021	20,547	125,877	146,424
Additions	–	7,487	7,487
Lease modification *(Note i)*	–	(117,853)	(117,853)
Lease termination	–	(5,962)	(5,962)
At 31 December 2021 and 1 January 2022	20,547	9,549	30,096
Additions	18,510	–	18,510
At 31 December 2022	**39,057**	**9,549**	**48,606**
Accumulated depreciation and impairment			
At 1 January 2021	6,871	20,003	26,874
Charge provided for the year	493	2,502	2,995
Lease modification *(Note i)*	–	(13,584)	(13,584)
Lease termination	–	(5,962)	(5,962)
Impairment *(Note 19)*	–	6,340	6,340
At 31 December 2021 and 1 January 2022	7,364	9,299	16,663
Charge provided for the year	864	250	1,114
At 31 December 2022	**8,228**	**9,549**	**17,777**
Net carrying amount			
At 31 December 2022	**30,829**	**–**	**30,829**
At 31 December 2021	13,183	250	13,433

18. RIGHT-OF-USE ASSETS *(Continued)*

Right-of-use assets: *(Continued)*

Note:

Amount includes right-of-use assets resulting from new lease entered.

i) For the year ended 31 December 2021, Covid-19 has played a critical role negatively on the disruption of the business operation overall in PRC, the Group was negotiated with certain lessors to shorten or terminate the leases. As the date of modification, the carrying amount of right of use assets and lease liabilities were approximately RMB104,269,000 and RMB108,436,000 respectively and the gain on lease modification of approximately RMB4,167,000 was recognised in profit or loss during the year ended 31 December 2021.

The Group's leasehold land of RMB29,820,000 (2021: RMB12,097,000) was pledged to secure the bank borrowings of the Group as detailed in Note 24.

The Group's interests in leasehold land and land use rights were held outside Hong Kong under medium term leases.

19. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For the year ended 31 December 2021, the recoverable amount of automobile dealership and service business ("4S") has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 13.12%. 4S's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

For the year ended 31 December 2021, as the poor result of the Group's 4S business resulted from the rising raw material prices and the COVID-19 pandemic resurgence, coupled with intensifying industrial competition and cancellation of many orders over extended delivery deadlines caused by the industry chips issue. The Directors considered it was an indication that the property, plant and equipment and right-of-use assets of 4S business may be impaired. The directors have assessed the recoverable amount of CGU based on the valuation report issued by an independent professional valuer, the carrying amount of the CGU exceeds its recoverable amount. The Directors have consequently determined full impairment of property, plant and equipment and right-of-use assets directly related to 4S amounting to RMB6,512,000 and RMB6,340,000, respectively.

The carrying value of property, plant and equipment and right-of-use assets of the Group's 4S business had been fully impaired in the year ended 31 December 2021. Hence, no further impairment test had been performed for the year ended 31 December 2022.

20. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
At 1 January	**47,162**	47,077
Change in fair value *(Note 8)*	**(1,335)**	85
Transfer to property, plant and equipment	**(6,852)**	–
At 31 December	**38,975**	47,162

All investment properties of the Group are located outside Hong Kong, of which investment properties of RMB23,620,000 (2021: RMB24,080,000) and RMB15,355,000 (2021: RMB23,082,000) are held under long and medium terms respectively.

As at 31 December 2022, the fair value of investment properties of RMB38,975,000 (2021: RMB47,162,000) has been arrived at on the basis of a valuation carried out on the respective dates by Shanghai Jiace Real Estate Appraisal Co., Ltd., an independent firm of professionally qualified valuers recognised by the relevant PRC association of valuers with recent experience in the location and category of property being valued, on the following basis.

The valuation was arrived of by reference to (i) market evidence of transaction price for similar properties, (ii) current rent of properties being held under existing tenancies and the reversionary income potential of tenancies, and (iii) the value of the land, together with the replacement costs of industrial buildings.

Details of the property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, are set out in Notes 7 and 32.

Certain investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 24.

20. *INVESTMENT PROPERTIES (Continued)*

Information about fair value measurements using significant unobservable input

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

Property	Fair value Hierarchy	Valuation techniques	Fair Value RMB'000	Significant unobservable Inputs	Sensitivity
(1)	Level 3	Income approach	23,620 (2021: 24,080)	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB36.3 (2021: RMB37.2) per sqm per month.	An increase in the market rent used would result in a significant increase in fair value, and vice versa.
(2)	Level 3	Income approach	15,355 (2021: 23,082) *(Note)*	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB136.5 (2021: RMB143.87) per sqm per month.	An increase in the market rent used would result in a significant increase in fair value, and vice versa.

Note: During the year ended 2022, of approximately RMB6,852,000 investment property had been reclassified to property, plant and equipment due to own occupied.

21. INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Interests directly held:						
Perfect Progress Investments Limited ("Perfect Progress")	The British Virgin Islands 8 April 2002	–	US$50,000 Ordinary shares	US$500	100%	Investment holding Hong Kong
New Focus Auto Tech International Limited	The British Virgin Islands 2 April 2007	–	US$1 Registered capital	US$1	100%	Sale of automobile accessories/ Hong Kong
New Focus Auto Autolife Holdings Limited	Hong Kong 16 November 2010	–	HK$10,000 Registered capital	HK$1	100%	Investment holding Hong Kong
New Focus Lighting and Power Technology (Qingdao) Co., Ltd. ("New Focus Lighting & Power (Qingdao)")	The PRC 12 March 2021	Wholly-owned foreign enterprise	US$88,000,000 Registered capital	US$67,799,800	100%	Manufacture of mechanical and electrical equipment; sales of automobile accessories and non-ferrous metal alloys/ The PRC
Interests indirectly held:						
New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("New Focus Lighting & Power")	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$67,800,000 Registered capital	US$67,800,000	100%	Manufacture and sale of automobile accessories/ The PRC
Shandong New Focus Longsheng Auto Parts Co. Ltd. ("Longsheng")	The PRC 26 April 2006	Limited liability company	US4,012,700 Registered Capital	US$4,012,700	58.99%	Manufacture and sale of automobile accessories/ The PRC
Ningbo Meishan Bonded Port Area Chifeng Investment Management Co., Ltd.	The PRC 29 August 2016	Limited liability company	Registered capital RMB39,860,000	RMB39,860,000	100%	Investment holding The PRC
Inner Mongolia Chuangying Automobile Co., Ltd.	The PRC 9 February 2018	Limited liability company	RMB627,339,666 Registered capital	RMB627,339,666	100%	Distribution of automobile insurance and financial products; sales of automobile products/ The PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Longsheng	The PRC	**41.01%**	41.01%	**1,323**	164	**15,713**	14,454
Individually immaterial subsidiaries with non-controlling interests				**(617)**	(1,276)	**131**	208
				706	(1,112)	**15,844**	14,662

The following tables listed out the information relating to Longsheng, the subsidiary of the Group which have a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Longsheng

	2022	2021
	RMB'000	RMB'000
NCI percentage	**41.01%**	41.01%
Current assets	**54,686**	51,701
Non-current assets	**18,932**	18,965
Current liabilities	**(35,303)**	(35,419)
Net assets	**38,315**	35,247
Carrying amount of NCI	**15,713**	14,454
Revenue	**102,052**	84,064
Profit for the year	**3,227**	401
Total comprehensive income	**3,227**	401
Profit attributable to NCI	**1,323**	164
Cash flows generated from operating activities	**13,136**	1,935
Cash flows used in investing activities	**(2,000)**	(2,226)
Cash flows used in financing activities	**(648)**	(2,339)

22. INVENTORIES

	2022	2021
	RMB'000	RMB'000
Raw materials	**32,504**	42,246
Work-in-progress	**18,612**	20,804
Finished goods	**23,477**	28,271
Merchandise goods	**46,420**	40,528
	121,013	131,849

The Group's certain inventories with aggregate net carrying amount of RMB20,018,000 (2021: RMB5,589,000) was pledged to secure the bank borrowings of the Group as detailed in Note 24.

23. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	2022	2021
	RMB'000	RMB'000
Trade receivables	**101,051**	153,693
Less: allowance for ECL	**(14,596)**	(9,983)
	86,455	143,710

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

The ageing analysis of trade receivables, net of allowance for credit losses, at the end of reporting period by invoice date is as follows:

	2022	2021
	RMB'000	RMB'000
Current to 30 days	**61,185**	57,066
31 to 60 days	**10,494**	35,886
61 days to 1 year	**13,487**	44,996
Over 1 year	**1,289**	5,762
	86,455	143,710

Details of ECL assessment are set out in Note 37(a).

23. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Deposits, prepayments and other receivables

	2022 RMB'000	2021 RMB'000
Loan receivables *(Note (i))*	**201,012**	164,652
Deposits and prepayments *(Note (ii))*	**510,196**	40,207
Deposits and prepayments for 4S dealership business	**3,231**	2,843
Value-added tax recoverable	**8,829**	5,163
Rebate receivables from suppliers *(Note (iii))*	**25,165**	28,169
Others *(Note (iv))*	**657,963**	661,450
	1,406,396	902,484
Less: allowance for ECL	**(336,185)**	(319,814)
	1,070,211	582,670

Notes:

(i) (a) Loan receivables were mainly arisen from secured corporate loan to Great Wall Broadband Network Company Limited with the interest rate of 5% (2021: secured loan at 5%) per annum and the loan period was within 1 year (2021: within 1 year). The loan receivables were secured by the Group's other borrowings of approximately RMB37,000,000 (2021: RMB110,327,000). According to the tripartite agreement between the Group, debtor of the loan receivables and the creditor of other borrowings, the liabilities of the other borrowing will be released if the loan receivables cannot be recovered by the Group. Subsequent to the end of the reporting period the loan receivable due from Great Wall Broadband Network Company Limited had been fully settled.

(b) On 15 December 2022, the Group (as lender) and JingHang DaYun (Beijing) Technology Co., Ltd. (as borrower) entered into a loan agreement pursuant to which the Group had agreed to grant the loan of RMB205,005,000 to JingHang DaYun (Beijing) Technology Co., Ltd for a term of three months from the date of the loan agreement at an interest rate of 5% per annum and unsecured. Up to the date of this annual report, part of the loan in an aggregate of approximately RMB180,000,000 was repaid; and the Group and JingHang DaYun (Beijing) Technology Co., Ltd entered into the extension agreement whereby the maturity date of the remaining loan of approximately RMB25,005,000 shall be extended to one year from the date of the extension agreement.

(ii) The Company has prepaid approximately RMB472,122,000 for the commodities trading business (i.e. sale and purchase of zinc ingot). Subsequent to the end of the reporting period, the prepayment had been fully utilised. The relevant trade receivables had been fully settled.

(iii) For automobile dealership and services business, the car vendors offered a rebate if the purchase target by the Company had been completed. As at 31 December 2022 the rebate receivable from suppliers of approximately RMB25,165,000 (2021: RMB28,169,000) and the allowance for ECL amount of RMB21,042,000 (2021: RMB23,056,000) has been made.

(iv) As at 31 December 2022, the other receivables mainly represent the gross amount due from former related parties of approximately RMB563,394,000 (2021: RMB563,012,000) which were pledged by the equity shares and creditor's right to which the fair value of those collateral pledged were approximately RMB328,755,000 (2021: RMB328,212,000) and an allowance for ECL amount of RMB234,639,000 (2021: RMB234,800,000) has been made.

24. BANK AND OTHER BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured:		
Bank loans	**157,490**	168,784
Other borrowings	**83,745**	68,638
	241,235	237,422
Unsecured:		
Bank loans	**5,612**	5,612
Other borrowings	**59,302**	131,327
	64,914	136,939
Total bank and other borrowings	**306,149**	374,361
Bank borrowings are repayable as follows:		
On demand or within one year	**269,149**	264,035
More than one year but not exceeding two years	**–**	–
More than two years but not exceeding five years	**37,000**	110,326
	306,149	374,361

Notes:

(i) As at 31 December 2022, the banking facilities are secured by (i) the Group's certain property, plant and equipment with an aggregate net carrying amount of RMB38,768,000 (2021: RMB33,648,000); (ii) the Group's certain right-of-use asset of RMB29,820,000 (2021: RMB12,097,000); (iii) the Group's certain investment properties of RMB38,975,000 (2021: RMB47,162,000); (iv) the Group's certain inventory of RMB20,018,000 (2021 RMB5,589,000); and (v) corporate guarantees provided by the Company and its subsidiaries.

(ii) On 25 September 2019, a bank ("Assignor") signed the debt assignment with a third party ("Assignee") and agreed to transfer the debt included the interest payable of the Group to the Assignee. As at 31 December 2022, the principal of approximately RMB48,223,000 (2021: RMB48,223,000) are secured by the pledge of the properties and land, repayable on demand and bear fixed interest rates of 9.15% (2021: 9.15%) per annum.

(iii) On 31 December 2022, the Group, a creditor of the other borrowings with the loan amount of approximately RMB37,000,000 and a debtor of loan receivables with the amount of approximately RMB133,995,000 entered into a tripartite agreement regarding the repayment of loan receivables. As at the date of this report, the relevant loan receivables had been settled. The loan amount of approximately RMB37,000,000 no longer classified as secured loan. For the details, please refer to Note 23(b)(i).

(iv) As at 31 December 2022, the Group has two bank borrowings of approximately RMB5,612,000 were default.

24. BANK AND OTHER BORROWINGS, SECURED *(Continued)*

As at 31 December 2022, secured borrowings from other financial institutions which for the loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, are secured, interest-bearing with annual rates ranging from 3.20% to 15.40% (2021: 3.20% to 6.09%).

All of the bank and other borrowings bear fixed interest rates ranging from 3.20% to 26.82% per annum (2021: 3.20% to 24.08%).

	2022	2021
	RMB'000	RMB'000
Bank and other borrowings of the Group were denominated in		
RMB	**256,237**	258,967
United States dollars ("USD")	**49,912**	115,394
	306,149	374,361

25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade payables

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

	2022	2021
	RMB'000	RMB'000
Current to 30 days	**102,511**	71,672
31 to 60 days	**16,076**	25,676
61 to 90 days	**8,735**	20,187
Over 90 days	**99,825**	128,952
	227,147	246,487

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

Note: As at 31 December 2022, the trade payables of approximately RMB55,553,000 (2021: RMB53,957,000) were related to former related parties.

25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

(b) Accruals and other payables

	2022 RMB'000	2021 RMB'000
Amounts due to former related parties *(Note (i))*	**38,090**	35,582
Payroll payable	**12,825**	15,599
Other tax payable	**9,799**	11,273
Others	**63,821**	60,776
Deposit received for 4S dealership business	**11,100**	12,085
Interest payable	**51,600**	28,589
	187,235	163,904

Note:

(i) The amounts due to former related parties is unsecured, interest free and repayment on demand.

(c) Contract liabilities

	2022 RMB'000	2021 RMB'000
The automobile dealership and service business	**42,396**	44,413
The manufacturing and trading business	**208,844**	–
	251,240	44,413

Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year was approximately RMB21,655,000 (2021: RMB32,913,000). The Group receives a deposit in advance which give rise to contract liabilities at the start of a contract until the revenue recognised on the relevant contract exceeds the amount of the deposit. During the years ended 31 December 2022 and 2021, certain 4S business stores in the PRC were closed due to COVID-19. The Directors expect the contract liabilities will be recognised as revenue within one year. During the year ended 31 December 2022, the Group entered into a commodities sales contract of zinc ingot and received a deposit in advance of approximately RMB205,000,000, The transactions were completed subsequent to the end of the reporting period.

25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

(c) Contract liabilities *(Continued)*

Movement in contract liabilities:

	2022 RMB'000	2021 RMB'000
At 1 January	**44,413**	68,949
Consideration received	**228,482**	8,377
Revenue recognised in respect of contract liabilities at the beginning of the year	**(21,655)**	(32,913)
At 31 December	**251,240**	44,413

26. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payables:		
– Within one year	**2,494**	2,796
– More than one year but not more than two years	**156**	2,600
	2,650	5,396
Less: A mount due for settlement within 12 months shown under current liabilities	**(2,494)**	(2,796)
Amount due for settlement after 12 months show under non-current liabilities	**156**	2,600

The weighted average incremental borrowing rates applied to lease liabilities are 4.21% (2021: 4.21% to 4.61%).

27. DEFERRED TAX

The movements in deferred tax assets/(liabilities) are as follows:

Deferred tax assets

	Tax losses RMB'000	Accrued expenses RMB'000	Allowances and provisions RMB'000	Total RMB'000
At 1 January 2021	7,950	4,540	4,296	16,786
Recognised in profit of loss *(Note 12)*	(7,950)	(1,896)	(3,258)	(13,104)
At 31 December 2021 and 1 January 2022	–	2,644	1,038	3,682
Recognised in profit of loss *(Note 12)*	–	–	(59)	(59)
At 31 December 2022	**–**	**2,644**	**979**	**3,623**

At the end of the reporting period, the Group has unused tax losses of RMB362,137,000, (2021: RMB341,885,000) available for offset against future profits. No deferred tax asset has been recognised in such losses due to the unpredictability of future profit streams. The years of expiry of the tax losses unrecognised is as below:

	2022 RMB'000	2021 RMB'000
Year of expiry of PRC entities		
2022	**–**	9,828
2023	**45,714**	45,714
2024	**67,542**	67,542
2025	**139,405**	139,405
2026	**79,396**	79,396
2027	**30,080**	–
	362,137	341,885

27. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Other intangible assets RMB'000	Fair value gain on investment properties RMB'000	Accrued subsidy income Total RMB'000	Total RMB'000
At 1 January 2021	(474)	(9,799)	(192)	(10,465)
Recognised in profit or loss *(Note 12)*	–	(21)	–	(21)
Disposal of subsidiaries *(Note 14)*	474	–	192	666
At 31 December 2021 and 1 January 2022	–	(9,820)	–	(9,820)
Recognised in profit or loss *(Note 12)*	–	31	–	31
At 31 December 2022	**–**	**(9,789)**	**–**	**(9,789)**

The above recognised deferred tax assets and liabilities cannot be set off.

A 10% PRC withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Listed securities held for trading:		
– Equity securities listed in Shenzhen stock exchange	**457**	880

29. SHARE CAPITAL

	2022		2021	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised Ordinary shares of HK$0.1 each				
At the beginning of the year	**20,000,000**	**2,000,000**	10,000,000	1,000,000
Increase in authorised ordinary shares	**–**	**–**	10,000,000	1,000,000
At the end of the year	**20,000,000**	**2,000,000**	20,000,000	2,000,000

	2022			2021		
	Number of shares '000	Amount HK$'000	Amount RMB'000	Number of shares '000	Amount HK$'000	Amount RMB'000
Issued and fully paid:						
At the beginning of the year	**6,767,636**	**676,764**	**556,286**	6,767,636	676,764	556,286
Issue of shares *(note)*	**10,449,312**	**1,044,931**	**934,420**	–	–	–
At the end of the year	**17,216,948**	**1,721,695**	**1,490,706**	6,767,636	676,764	556,286

Note: On 21 December 2022, the Company completed the issue of 10,449,312,314 subscription shares under specific mandate with gross proceeds of approximately HK$616,509,000.

30. RESERVES

(i) Reserves of the Group

(a) Share premium

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

(b) Statutory reserve fund

The Group's subsidiaries established in the PRC are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the applicable PRC accounting standards, to statutory reserve fund until the fund aggregates to 50% of their respective registered capital. The statutory reserve fund can only be used, upon approval by the respective board of directors, to offset accumulated losses or increase capital.

(c) Enterprise expansion fund

In accordance with the Law of the People's Republic of China on Chinese-foreign Equity Joint Venture and the articles of association of a subsidiary, a subsidiary shall appropriate 5% of its annual statutory net profit (after offsetting any prior years' losses) to enterprise expansion fund.

(d) Capital redemption reserve

Capital redemption reserve occurs when shares of a company are redeemed or purchased wholly out of the Company's profits, the amount by which the Company's issued share capital is diminished on cancellation of the shares redeemed or purchased, shall be transferred to the capital redemption reserve. If the shares are redeemed or purchased wholly or partly out of the proceeds of a fresh issue, and the aggregate amount of those proceeds is less than the aggregate nominal value, the amount of the difference shall be transferred to the capital redemption reserve.

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies in Note 4.

30. RESERVES *(Continued)*

(i) Reserves of the Group *(Continued)*

(f) Others

Others comprise the share option reserve, property revaluation reserve, and fair value reserve.

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy in Note 4.

The property revaluation reserve represents the gains/losses arising on the revaluation of property (other than investment property). The balance on this reserve is wholly undistributable.

The fair value reserve represents the cumulative net change in the fair value of financial assets at fair value through other comprehensive income held at the end of the reporting period.

(ii) Reserves of the Company

	Share premium	Contributed surplus	Exchange reserve	Others	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	1,482,219	84,242	18,604	308	(1,877,381)	(292,008)
Total comprehensive income/(loss) for the year	–	–	4,550	–	(114,985)	(110,435)
At 31 December 2021 and 1 January 2022	1,482,219	84,242	23,154	308	(1,992,366)	(402,443)
Total comprehensive loss for the year	–	–	(9,184)	–	(52,829)	(62,013)
Issue of shares	(382,515)	–	–	–	–	(382,515)
Transaction costs attributable to Issue of shares	(825)	–	–	–	–	(825)
At 31 December 2022	**1,098,879**	**84,242**	**13,970**	**308**	**(2,045,195)**	**(847,796)**

31. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

(a) Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates and are deposited with creditworthy financial institutions with no recent history of default.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	374,361	5,396	379,757
Changes from financing cash flows:			
Proceeds from loans and borrowings	263,992	–	263,992
Repayment of borrowings	(341,998)	–	(341,998)
Interest paid	(6,197)	–	(6,197)
Repayment of lease liabilities	–	(2,929)	(2,929)
Total changes from financing cash flows	(84,203)	(2,929)	(87,132)
Exchange adjustments	9,794	–	9,794
Other non-cash changes:			
Interest expense	30,323	183	30,506
Accrued interest	(24,126)	–	(24,126)
Total other changes	6,197	183	6,380
Balance at 31 December 2022	**306,149**	**2,650**	**308,799**

31. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2021	340,744	110,066	450,810
Changes from financing cash flows:			
Proceeds from loans and borrowings	240,061	–	240,061
Repayment of borrowings	(190,913)	–	(190,913)
Interest paid	(16,281)	–	(16,281)
Repayment of lease liabilities	–	(6,269)	(6,269)
Total changes from financing cash flows	32,867	(6,269)	26,598
Exchange adjustments	(2,087)	–	(2,087)
Other non-cash changes:			
Interest expense	23,337	2,548	25,885
Accrued interest	(9,690)	–	(9,690)
Addition of lease liabilities	–	7,487	7,487
Disposal of subsidiaries	(10,810)	–	(10,810)
Lease modification	–	(108,436)	(108,436)
Total other changes	2,837	(98,401)	(95,564)
Balance at 31 December 2021	374,361	5,396	379,757

32. COMMITMENTS

(a) Operating lease arrangements

As leasor

As at 31 December 2022 and 2021, the Group leased at its investment properties under operating lease. As at the end of the reporting period, the total future minimum lease payments receivable under non-cancelable operating leases are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**1,749**	794
In the second year	**397**	794
In the third year	**–**	397
	2,146	1,985

(b) Capital Commitments

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	**28,350**	1,470

33. RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in full and are not disclosed in this note. Except for disclosed elsewhere in the notes to financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) Transaction with related parties

(i) Transaction with key management personnel

Transaction with the members of key management during the year, including the remuneration for executive directors and non-executive directors as disclosed in Note 11(a), is as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other allowances	**4,073**	3,495
Retirement scheme contributions	**85**	80
	4,158	3,575

Total remuneration is included in "Employee benefit expenses" (see Note 10).

34. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in defined contribution retirement schemes (the "Schemes") organised by the PRC municipal government authorities where the subsidiaries are registered whereby these PRC subsidiaries are required to make a contribution at the respective local rates of the eligible employees' salaries to the Schemes. The Group has accrued for the required pension fund contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employee covered under the Schemes. The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

For years ended 31 December 2022 and 2021, there was no forfeiture of retirement benefits schemes contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group. As at 31 December 2022 and 2021, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company terminated the old share option scheme and adopted a new share option scheme (the "Scheme") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme is 376,116,501 shares, representing 10% and 5.56% of the shares of the Company in issue as at the date of adoption of the Scheme and as at the date of this annual report respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and may be issued under share options granted to each eligible participant in the Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in the 12-month period up to and including the date of the grant of share options in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' prior approval in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum holding period or a performance target which must be achieved before a share option can be exercised.

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant. Share options do not confer rights on the holders to dividends or to vote at general meetings. As at 31 December 2022, no options had been granted by the Company under the Scheme remained outstanding (2021: Nil) and no shares were available for issue under the Scheme (2021: Nil).

36. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of (i) debts, which includes the bank and other borrowings as disclosed in Note 24; (ii) cash and cash equivalents as disclosed in Note 31; (iii) equity attributable to equity shareholders of the Company, comprising share capital disclosed in Note 29 and reserves as disclosed in consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The net debt to equity ratio at end of the reporting period was as follows:

	2022	2021
	RMB'000	RMB'000
Debts	**306,149**	374,361
Cash and cash equivalents	**(275,139)**	(38,929)
Net debt position	**31,010**	335,432
Equity attributable to equity shareholders of the Company	**687,140**	179,799
Net debt to equity ratio	**4.5%**	186.6%

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, bank and other borrowings, trade and other receivables, amounts due from related parties, pledged time deposit, cash and cash equivalents, trade and other payables, lease liabilities, amount due to related parties and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, deposit and other receivables and amounts due from related parties. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The Group assessed 12m ECL for such balance and considered the 12m ECL to be insignificant and therefore no loss allowance was recognised.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2022 and 2021, balances included in trade receivables, deposits and other receivables and amounts due from related parties that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

As at the end of the year, the top three debtors and the largest debtor accounted for approximately 35.77% and 18.73% (2021: 26.06% and 10.62%) of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivable	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant Increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

As at 31 December 2022

	credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Allowance for ECL RMB'000
Financial assets at amortised costs				
Trade receivables *(Note 23(a))*	**Low risk**	**Lifetime ECL (not credit-impaired)**	**71,785**	**(551)**
	Doubtful	**Lifetime ECL (not credit-impaired)**	**15,504**	**(283)**
	Loss	**Credit-impaired**	**13,762**	**(13,762)**
			101,051	**(14,596)**
Other financial assets/other items (including other receivables) *(Note 23(b))*	**Low risk**	**12-month ECL (not credit-impaired)**	**230,404**	**(2,798)**
	Doubtful	**Lifetime ECL (not credit-impaired)**	**52,940**	**(5,720)**
	Loss	**Credit-impaired**	**620,062**	**(327,667)**
			903,406	**(336,185)**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

As at 31 December 2021

	credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Allowance for ECL RMB'000
Financial assets at amortised costs				
Trade receivables *(Note 23(a))*	Low risk	Lifetime ECL (not credit-impaired)	140,567	(1,048)
	Doubtful	Lifetime ECL (not credit-impaired)	105	(4)
	Loss	Credit-impaired	13,021	(8,931)
			153,693	(9,983)
Other financial assets/other items (including other receivables) *(Note 23(b))*	Low risk	12-month ECL (not credit-impaired)	84,907	(1,528)
	Doubtful	Lifetime ECL (not credit-impaired)	149,196	(28,049)
	Loss	Credit-impaired	623,011	(290,237)
			857,114	(319,814)

37. *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)*

(a) Credit risk *(Continued)*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and other financial assets.

	2022			2021		
Internal credit rating	**Average loss rate**	**Trade receivables**	**Allowance for ECL**	Average loss rate	Trade receivables	Allowance for ECL
	%	**RMB'000**	**RMB'000**	%	RMB'000	RMB'000
Low risk	**0.8**	**71,785**	**551**	0.7	140,567	1,048
Doubtful	**1.8**	**15,504**	**283**	3.8	105	4
Loss	**100**	**13,762**	**13,762**	68.6	13,021	8,931
		101,051	**14,596**		153,693	9,983

	2022			2021		
Internal credit rating	**Average loss rate**	**Other financial assets**	**Allowance for ECL**	Average loss rate	Other financial assets	Allowance for ECL
	%	**RMB'000**	**RMB'000**	%	RMB'000	RMB'000
Low risk	**1.2**	**230,404**	**2,798**	1.8	84,907	1,528
Doubtful	**10.8**	**52,940**	**5,720**	18.8	149,196	28,049
Loss	**52.8**	**620,062**	**327,667**	46.6	623,011	290,237
		903,406	**336,185**		857,114	319,814

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

The closing loss allowances for including trade receivables, deposits and other receivables and amounts due from related parties as at 31 December 2022 and 2021 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000	**Other financial assets** RMB'000
At 1 January 2021	2,477	325,639
Allowance/(reversal) for ECL recognised in profit or loss during the year, net	7,528	(5,664)
Disposal of subsidiaries	(22)	(161)
At 31 December 2021 and 1 January 2022	9,983	319,814
Allowance for ECL recognised in profit or loss during the year, net	4,618	16,384
Deregistration of a subsidiary	(5)	(13)
At 31 December 2022	**14,596**	**336,185**

For loan receivables, other receivables, deposits and amount due from former related parties, the Directors make periodic individual assessment on the recoverability of loan receivables, other receivables, deposits and amount due from former related parties based on historical settlement records, past experience, the fair value of the collateral pledged, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. As at 31 December 2022 the Group assessed the ECL for other financial assets and loss allowance of approximately RMB336,185,000 (2021: RMB319,814,000) which most of the impairment losses were related to amount due from Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (蒙古利豐鼎盛汽車有限公司) ("Lifeng Dingsheng") and its subsidiaries and associates (collectively, the "Lifeng Dingsheng Group"), which are primarily engaged in automobile dealership and service business in Inner Mongolia.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	Weighted average effective interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2022							
Bank and other borrowings	**8.00**	**306,149**	**330,375**	**282,275**	**–**	**48,100**	**–**
Trade payables	**–**	**227,147**	**227,147**	**227,147**	**–**	**–**	**–**
Other payables	**–**	**187,607**	**187,607**	**187,607**	**–**	**–**	**–**
Lease liabilities	**4.21**	**2,650**	**2,761**	**2,599**	**162**	**–**	**–**
Total		**723,553**	**747,890**	**699,628**	**162**	**48,100**	**–**
2021							
Bank and other borrowings	7.82	374,361	413,020	265,737	–	147,283	–
Trade payables	–	246,487	246,487	246,487	–	–	–
Other payables	–	152,631	152,631	152,631	–	–	–
Lease liabilities	4.23	5,396	5,554	2,928	2,626	–	–
Total		778,875	817,692	667,783	2,626	147,283	–

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Interest rate risk

Most of bank and other borrowings were issued at fixed rates which expose the Group to fair value interest rate risk.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US$ and HK$.

The Group is also exposed to foreign currency exchange risk arising from the cash and cash equivalents denominated in US$.

The following table details the Group's exposure at the end of reporting period to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2022		2021	
	US$'000	**HK$'000**	US$'000	HK$'000
Trade and other receivables	**8,425**	**150,000**	14,727	150,524
Trade and other payables	**(1,717)**	**(2,096)**	(160)	–
Cash and cash equivalents	**6,592**	**209**	4,767	7
Bank and other borrowings	**(7,202)**	**–**	(18,001)	–
Overall net exposure	**6,098**	**148,113**	1,333	150,531

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Currency risk *(Continued)*

The following table indicates the approximate change in the Group's loss for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates a decrease in loss or an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity, and the balances below would be negative.

	2022		2021	
	Increase in foreign exchange rate	**Effect on loss for the year and accumulated losses RMB'000**	Increase in foreign exchange rate	Effect on profit/ (loss) for the year and accumulated losses RMB'000
US$	**5%**	**(259)**	5%	(56)
HK$	**5%**	**(6,183)**	5%	(6,285)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the Group's entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities as recognised in consolidated financial statements at 31 December 2022 and 2021 were approximate to their fair values.

(a) The fair values of financial assets and liabilities are determined as follows:

– The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

– The fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments and forecast on the financial performance and other measures of the acquirees under the contingent consideration arrangements. The directors are of the opinion that there are no reasonably possible alternative assumptions to the inputs in the fair value measurement.

(b) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(b) Fair value hierarchy *(Continued)*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
As at 31 December 2022				
Financial assets at FVTPL	457	–	–	457
As at 31 December 2021				
Financial assets at FVTPL	880	–	–	880

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Fair value hierarchy *(Continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI RMB'000
At 1 January 2021	9,492
Net unrealised losses recognised in other comprehensive income during the year	(9,492)
At 31 December 2021, 1 January 2022 and 31 December 2022	–

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Fair value hierarchy *(Continued)*

	Fair value 2022 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets				
Financial assets at FVTPL	457	Level 1	Quoted bid prices in an active market	N/A

	Fair value 2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets				
Financial assets at FVTPL	880	Level 1	Quoted bid prices in an active market	N/A

There were no transfer between level 1, 2 and 3 during the years ended 31 December 2022 and 2021.

39. CONTINGENT LIABILITIES

At 31 December 2022 and 2021, the Group had no significant contingent liability.

40. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 RMB'000	2021 RMB'000
Non-current asset			
Interest in subsidiaries		**595,013**	122,474
		595,013	122,474
Current assets			
Deposits, prepayments and other receivables		**129,855**	122,814
Cash and cash equivalents		**1,684**	402
		131,539	123,216
Current liabilities			
Accruals and other payables		**24,340**	14,717
Bank and other borrowings		**22,302**	20,416
		46,642	35,133
Net current assets		**84,897**	88,083
Total assets less current liabilities		**679,910**	210,557
Non-current liability			
Bank and other borrowings		**37,000**	56,714
		37,000	56,714
Net assets		**642,910**	153,843
Capital and reserves			
Share capital	*29*	**1,490,706**	556,286
Reserves	*30(ii)*	**(847,796)**	(402,443)
Total equity		**642,910**	153,843

41. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation.

42. SUBSEQUENT EVENTS

Non-compliance with Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules

(i) Following the resignations of Mr. Hu Yuming and Ms. Shi Jing on 14 March 2023, the Company failed to meet the requirement of (i) Rules 3.10(1) and (2) of the Listing Rules that the Board must include at least three independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, respectively; (ii) Rule 3.21 of the Listing Rules in relation to the composition of the audit committee; (iii) Rule 3.25 of the Listing Rules in relation to the composition of the remuneration committee; and (iv) Rule 3.27A of the Listing Rules in relation to the composition of the nomination committee.

In order to comply with the Listing Rules, the Company will continue to use its best endeavours to identify suitable candidate(s) to fill the subject vacancies as soon as practicable and in accordance with the relevant Listing Rules.

Loan Receivables

(ii) On 3 January 2023, New Focus Lighting & Power (Qingdao) entered into a second loan agreement with Jinghang Dayun, pursuant to which New Focus Lighting & Power (Qingdao) agreed to grant a further unsecured loan of not more than RMB300,000,000 to Jinghang Dayun for a term commencing from the date of the Second Loan Agreement until 30 April 2023, with an interest rate of 5% per annum. For details, please refer to the section "Management Discussion and Analysis" of this annual report.

Trading of commodities

(iii) the Company has applied approximately RMB474 million for the commodities trading business from December 2022 to March 2023. As at the date of this report, all the zinc ingot purchased for the purpose of commodities trading have been sold, and the proceeds from such sale (including the RMB474 million net proceeds from the Subscription) have been received by the Group. For details, please refer to the section "Management Discussion and Analysis" of this annual report.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 April 2023.

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	2022 **RMB'000**	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**591,671**	728,142	911,727	1,750,632	1,412,883
(Loss)/profit before taxation					
– from continuing operations	**(43,899)**	(86,770)	(451,376)	(207,350)	132,682
– from discontinued operations	**–**	13,779	–	(35,667)	(76,563)
Income tax	**(3,898)**	(15,960)	(22,282)	33,804	(2,314)
(Loss)/profit for the year	**(47,797)**	(88,951)	(473,658)	(209,213)	53,805
Attributable to:					
Equity shareholders of the Company	**(48,503)**	(84,795)	(466,748)	(191,108)	107,833
Non-controlling interests	**706**	(4,156)	(6,910)	(18,105)	(54,028)
	(47,797)	(88,951)	(473,658)	(209,213)	53,805

ASSETS AND LIABILITIES

	2022 **RMB'000**	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	**1,693,440**	1,042,509	1,291,232	1,937,231	2,570,157
Total liabilities	**(990,456)**	(848,048)	(1,018,377)	(1,125,632)	(1,584,733)
Net assets	**702,984**	194,461	272,855	811,599	985,424