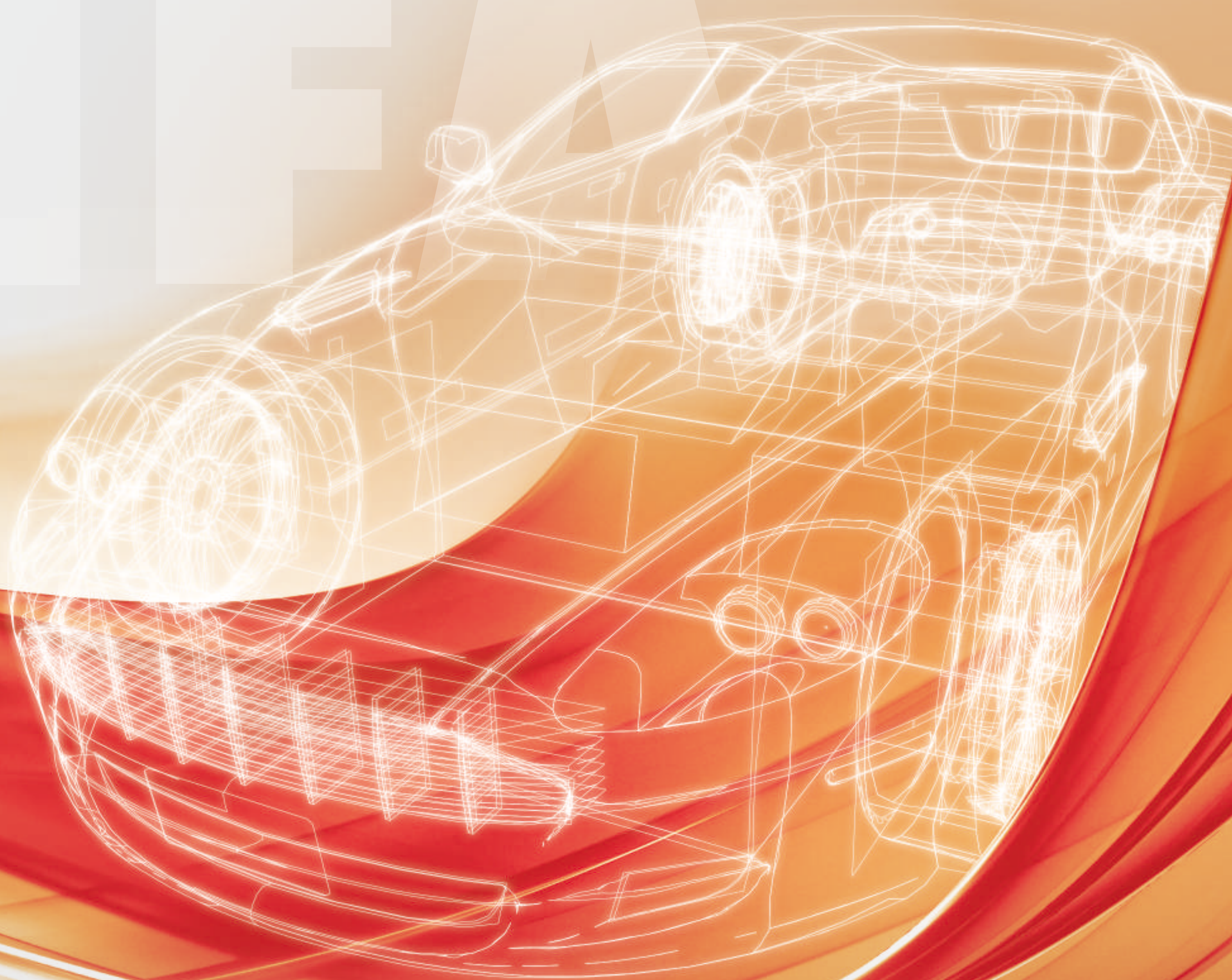
新焦点汽車技術控股有限公司*

New Focus Auto Tech Holdings Limited

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

ANNUAL REPORT 2024



* For identification purpose only

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Independent Non-executive Directors

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CHAIRMAN'S STATEMENT

2024 is a crucial year for the global energy transition. The drive for carbon neutrality, geopolitical conflicts over energy and the in-depth integration of AI and energy technologies are reshaping the competitive landscape of the new energy industry. As a practitioner and innovator in electronics manufacturing and intelligent energy, we always adhere to the concept of "Technology leads industry, investment drives innovation (科技引領產業，投資驅動創新)", and make steady progress in an environment where challenges and opportunities coexist. On behalf of the board (the "**Board**") of directors (the "**Directors**") of New Focus Auto Tech Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to express my sincere gratitude to all of our partners for their support and share our industrial insights and future plans.

During the year ended 31 December 2024 (the "**Year**"), New Focus Lighting and Power Technology (Shanghai) Co., Ltd.* (紐福克斯光電科技（上海）有限公司) ("**New Focus Lighting & Power (Shanghai)**"), a subsidiary of the Company, continued to provide its existing customers with quality products and services and maintained a healthy level of business scale. Meanwhile, it expanded into the markets in Africa, Europe and Australia for the foreign trade segment and achieved cooperation in respect of mobile energy storage and RV power supply products, which are expected to be delivered in 2025. Moreover, the Company is positioned in the commercial vehicle power supply and electric industrial vehicle power supply product sectors, while launching battery products for trucks to lay the foundation for further expansion in these markets in 2025.

During the Year, the Company made relatively significant progress in its new energy business, particularly in the hydrogen energy sector. Jinyi (Mianyang) Hydrogen Energy Technology Co., Ltd.* (錦宜（綿陽）氫能科技有限公司) ("**Jinyi**"), which was invested in by the Company in September 2023, completed the renovation and upgrading of its plants at the end of 2024, which officially commenced operation. The Company will continue to build up its corporate competitiveness through Jinyi, and accumulate strengths to become a global leading enterprise in hydrogen energy technology. In order to promote the industrial synergy and facilitate the comprehensive layout in the new energy industry chain for the Company, the Group strategically invested in a large-scale independent energy storage power station project on the grid side in the first half of 2024. The project, as a demonstration project for key power grid construction in Zhejiang Province, has been formally connected to the grid and put into operation with stable performance.

In 2025, based on the existing business foundation, the Group will continue to promote research and development ("**R&D**"), testing and gradual mass production of the intelligent parking power supply systems, RV power supply systems, new energy vehicle power supply systems and off-grid energy storage systems. In addition, we will also play an active role in identifying external investment opportunities and partners to vigorously promote the business development of the Company and improve the distribution of our industrial chain.

To all shareholders and colleagues, in the wave of the new energy revolution, there is no eternal leader, but only relentless innovators. We recognize that technological breakthroughs need patience, market expansion requires boldness, and global cooperation calls for an open mind. Moving forward, the Company will remain steadfast in its reverence for technology and increase investment in R&D. We will actively fulfill our environmental, social and governance ("**ESG**") responsibilities to contribute to the realization of carbon neutrality, solidify our core competitiveness with innovation and embrace globalization with openness!

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Year, the Group focused on the R&D, manufacturing and sales of automotive electronic products, the construction and development of automobile dealership networks and the R&D, sales and provision of integrated solutions for hydrogen fuel cells. 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, and the distribution of car insurance products and automobile financial products. The Group also commenced its hydrogen fuel cell related business in the second half of 2023, which mainly provides hydrogen-related products and solutions to governments and customers in the field for the Internet Data Center ("**IDC**"). The overall construction of the plants and production lines for the operation of the hydrogen fuel cell business has been substantially completed, but such business has not yet generated any revenue for the Year.

Results Highlights

Revenue

During the Year, the consolidated revenue of the Group was approximately RMB518,516,000 (2023: RMB555,377,000), representing a decrease of approximately 6.64%.

The consolidated revenue from the manufacturing and trading business of the Group during the Year was approximately RMB382,782,000 (2023: RMB412,043,000), representing a decrease of approximately 7.10%, which was mainly attributable to the decline in export sales revenue resulting from the impact of US tariff policy on the export business of the manufacturing industry during the Year.

The consolidated revenue from the Group's automobile dealership and services business during the Year amounted to approximately RMB135,734,000 (2023: RMB143,334,000), representing a decrease of approximately 5.30%, which was mainly attributable to the Group downsizing its operations and the closure of outlets without brand licenses and comprehensive retail stores. In addition, as a result of the intense competition in the passenger vehicles sales market during the Year, the price for new energy vehicles significantly decreased, resulting in a decrease in the sales of fuel vehicles.

Gross profit and gross profit margin

The consolidated gross profit for the Year was approximately RMB87,257,000 (2023: RMB95,568,000), representing a decrease of approximately 8.70%. The gross profit margin decreased from 17.21% to 16.83%.

During the Year, the gross profit of the Group's manufacturing and trading business was approximately RMB78,813,000 (2023: RMB88,009,000), representing a decrease of approximately 10.45%. The gross profit margin decreased from approximately 21.36% to approximately 20.59%. The decrease in gross profit was mainly attributable to the decrease in consolidated revenue for the Year as compared with 2023. The decrease in gross profit margin was primarily attributable to the decrease in selling price of products as a result of the intense competition in the domestic market during the Year.

During the Year, the gross profit of the Group's automobile dealership and services business was approximately RMB8,444,000 (2023: RMB7,559,000), representing an increase of approximately 11.71%. The gross profit margin increased from approximately 5.27% to approximately 6.22%. The increase in gross profit and gross profit margin was primarily due to the provision of various policy support and capital subsidies in relation to various sales promotion by government departments and automobile manufacturers during the Year.

Other income and gains and losses

Other income for the Year was approximately RMB8,175,000 (2023: RMB15,858,000). The decrease in other income was mainly attributable to the decrease in interest income of approximately RMB4,430,000 from the loans granted by the Group to JingHang DaYun (Beijing) Technology Co., Ltd.* (京行大運（北京）科技有限公司, "**Jinghang Dayun**") during the Year as compared with 2023. In addition, the Group received revenue for management and consultation fees of approximately RMB2,728,000 from the provision of supply chain management services to upstream and downstream enterprises in 2023, while no such revenue was recorded for the Year.

Other gains or losses, net for the Year was approximately RMB10,772,000 (2023: RMB2,786,000). The increase in other gains or losses was mainly attributable to the gain in fair value change of approximately RMB14,924,000 for the Year as a result of the Company's investment of approximately 29.03% equity interest in Shihezi Yike Equity Investment Partnership (Limited Partnership)* (石河子怡科股權投資合夥企業（有限合夥）, "**Shihezi Yike**") on 3 April 2024. In addition, the convertible bonds held by the Company recorded a gain in fair value change of approximately RMB31,000 in 2023 and a loss in fair value change of approximately RMB7,528,000 for the Year, making a difference of approximately RMB7,559,000. Please refer to the section headed "Investment in Shihezi Yike" under "Significant Investments" in this annual report for further details of the investment in Shihezi Yike.

Expenses

Net allowance for expected credit losses on trade receivables and other receivables for the Year was approximately RMB30,689,000 (2023: RMB64,736,000). The decrease in impairment losses is mainly due to the recognition of a significant amount of expected credit loss provision in 2023 for receivables from former connected persons, which are part of the Group's other receivables, resulting from a decline in the fair value of the equity shares and creditors' rights used as collateral.

The distribution costs for the Year were approximately RMB34,862,000 (2023: RMB37,709,000), representing a decrease of approximately 7.55%, which was mainly attributable to the decrease in salaries and bonuses for sales personnel as a result of the decrease in revenue, and the strict control of marketing expenses during the Year.

The administrative expenses for the Year were approximately RMB85,298,000 (2023: RMB65,621,000), representing an increase of approximately 29.99%, which was mainly due to the Group's employment of several new management personnel and the increase in depreciation and amortization expenses for property, plant and equipment and right-of-use assets.

The finance costs for the Year amounted to approximately RMB21,149,000 (2023: RMB25,213,000), representing a decrease of approximately 16.12%, which was mainly attributable to the decrease in the weighted average borrowing rate of bank and other borrowings for the Year as compared with 2023.

Loss before taxation

The loss before taxation of the Group for the Year was approximately RMB71,316,000 (2023: RMB83,669,000). The decrease in loss was mainly due to the fact that although the gross profit has decreased by approximately RMB8,311,000 and the administrative expenses have increased by approximately RMB19,677,000, other income and other gains or losses, net have increased by approximately RMB7,987,000 in total, and the allowance for expected credit losses on trade receivables and other receivables have decreased by approximately RMB34,047,000 for the Year as compared with 2023.

Taxation

The income tax expenses for the Year were approximately RMB526,000 (2023: RMB4,727,000).

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Year was approximately RMB67,923,000 (2023: RMB87,320,000). The decrease in loss was mainly due to the decrease in provision for expected credit loss on trade receivables and other receivables for the Year as compared with 2023. The loss per share for the Year was approximately RMB0.39 cents (2023: RMB0.51 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 inflow from operating activities of approximately RMB56,586,000 (2023: RMB413,598,000).

Non-current assets were approximately RMB855,165,000 as at 31 December 2024 (31 December 2023: RMB770,392,000).

Net current liabilities were approximately RMB63,371,000 as at 31 December 2024 (31 December 2023: net current assets of RMB29,210,000), with a current ratio of 0.91 (31 December 2023: 1.04).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 56.69% as at 31 December 2024 (31 December 2023: 52.01%).

As at 31 December 2024, the total bank and other borrowings of the Group were approximately RMB305,141,000 (31 December 2023: RMB304,110,000), of which approximately 22.51% were made in HKD and approximately 77.49% were made in RMB. All of the borrowings are subject to fixed interest rates, of which approximately RMB248,479,000 shall be repayable within one year, and approximately RMB56,662,000 shall be repayable after one year but within five years.

The Group's need for borrowings was generally stable during the Year. As at 31 December 2024, the committed borrowing facilities available to but not utilized by the Group amounted to approximately RMB14,419,000.

Material Loan Transactions

A maximum of RMB505,005,000 loan

As disclosed in the announcement dated 30 March 2023 and the circular dated 27 July 2023 of the Company, New Focus Lighting and Power Technology (Qingdao) Co., Ltd. ("**New Focus Lighting & Power (Qingdao)**") (as lender), a wholly-owned subsidiary of the Company, and 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, New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into an extension agreement (the "**Extension Agreement**") to extend the maturity date of the loan to one year from the date of the Extension Agreement (i.e. 31 December 2023).

On 3 January 2023, New Focus Lighting & Power (Qingdao) (as lender) entered into a 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 signing the agreement until 30 April 2023, with an interest rate of 5% per annum. As of 31 December 2024, the Company had recovered the entire principal amount of such loan.

Recovery of Receivables

Recovery of Lifeng Dingsheng Receivables

Deposits, prepayments and other receivables (the "**Receivables**") mainly included an aggregate amount of approximately RMB560,815,000 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) ("**Inner Mongolia Chuangying**", a wholly-owned subsidiary of the Company) and its subsidiaries ("**Lifeng Dingsheng Receivables**") as of 31 December 2024. The management of the Group will continue to monitor the repayment status of Lifeng Dingsheng, and will realize the pledged equity interests and creditor's right in a reasonable manner in due course in order to collect the Lifeng Dingsheng Receivables.

Recovery of Fujian Nanping Receivable

On 20 September 2018, the Company (as lender) and Fujian Nanping Dafeng Electric Co., Ltd. (福建南平大豐電器有限公司) ("**Fujian Nanping**") entered into a loan agreement to provide 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, but Fujian Nanping still failed to make the repayment on time. On 28 July 2023, the Company entered into a settlement agreement with Fujian Nanping. As of 31 December 2024, Fujian Nanping has repaid the principal of the loan in full in accordance with the terms of the settlement agreement.

Recovery of Beijing Aiyihang Receivable

On 22 November 2019, New Focus Lighting & Power (Shanghai) 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**") (the "**Equity Transfer Agreement**"). 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 shall repay the arrears in the sum of RMB50,000,000 to the Group, otherwise it shall repay the arrears in the sum of RMB35,000,000. At the end of 2022, New Focus Lighting & Power (Shanghai) initiated arbitration proceedings against Beijing Aiyihang, demanding Beijing Aiyihang to repay the remaining arrears of RMB15,000,000 due in November 2022. At the end of May 2024, the arbitral tribunal ruled that Beijing Aiyihang was liable to repay RMB15,000,000 and interests thereon to New Focus Lighting & Power (Shanghai). As of the date of this annual report, New Focus Lighting & Power (Shanghai) had applied to the court for enforcement of the arbitral award as the above repayment had not been made so far.

Land Expropriation

On 22 November 2024, New Focus Lighting & Power (Shanghai) entered into a land expropriation (non-residential) compensation agreement (the "**Expropriation Compensation Agreement**") with Shanghai Qingpu Industrial Park Development (Group) Ltd.* (上海青浦工業園區發展(集團)有限公司), a company owned by the relevant governmental authority. According to the Expropriation Compensation Agreement, the land and buildings erected and located at No. 4589-4599 Waiqingsong Highway, Qingpu District, Shanghai (the "**Targeted Properties**"), of which New Focus Lighting & Power (Shanghai) held land use rights will be subject to expropriation (the "**Property Expropriation**"). New Focus Lighting & Power (Shanghai) will receive approximately RMB368,881,000 in compensation (the "**Compensation**") based on its relocation progress.

Pursuant to the Expropriation Compensation Agreement, the handover of the Targeted Properties shall be completed by the end of December 2026, unless otherwise extended under limited circumstances. New Focus Lighting & Power (Shanghai) had commenced relevant work in due course, including but not limited to exploring new land and/or properties that may be acquired for the purpose of relocation of its production plant. The management of the Group will use its best efforts to minimize the possible adverse impact of the Property Expropriation on the normal operations of Group.

As of 31 December 2024, New Focus Lighting & Power (Shanghai) had received Compensation of approximately RMB66,399,000, which was fully included in deferred income. Please refer to the announcements of the Company dated 13 May 2024 and 25 November 2024 for further details of the Property Expropriation and the Expropriation Compensation Agreement.

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 capital requirements from time to time.

Approximately 80% of the revenue of the Group's manufacturing and trading business was generated from the export of its products 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 2024, the total assets of the Group were approximately RMB1,514,432,000 (31 December 2023: RMB1,479,781,000), which included: (1) share capital of approximately RMB1,490,706,000 (31 December 2023: approximately RMB1,490,706,000); (2) reserves of approximately RMB(834,754,000) (31 December 2023: approximately RMB(780,560,000)); and (3) liabilities of approximately RMB858,480,000 (31 December 2023: RMB769,635,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2024, the Group's net book values of inventory, investment properties, property, plant and equipment, interests in associates, and right-of-use assets pledged totaled approximately RMB153,195,000 (31 December 2023: RMB142,385,000), of which approximately RMB126,709,000 (31 December 2023: RMB142,385,000) was pledged as security for the Group's bank and other borrowings, and approximately RMB26,486,000 (31 December 2023: Nil) was pledged as security for the Group's associates.

Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the Year, save for the matters regarding the investment in Shihezi Yike and the establishment of New Focus Newtec (Shenzhen) Technology Co., Ltd.* (新焦點紐泰克（深圳）科技有限公司) ("**New Focus Newtec (Shenzhen)**") as disclosed in the section headed "Significant Investments" under "Management Discussion and Analysis" of this annual report, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures during the Year.

Significant Investments

As at the date of this annual report, the Group had no specific plans for material future investments or acquisitions of capital assets. The significant investments of the Group and their post-investment status during the Year are as follows:

Intended Acquisition of Equity Interest in a Domestic Chinese Company

On 15 August 2024, New Focus Technology (Beijing) Co., Ltd.* (紐福克斯科技（北京）有限公司) ("**New Focus (Beijing)**") entered into a letter of intent (the "**Letter of Intent**") on the proposed acquisition of 28.4755% equity interest in a domestic Chinese company (the "**Target Company**"), pursuant to which New Focus (Beijing) paid a refundable acquisition earnest money of RMB15,000,000 (the "**Earnest Money**") to the relevant shareholder of the Target Company (the "**Transferor**"). The main business of the Target Company is new-energy vehicle charging services.

On 26 February 2025, New Focus (Beijing) and the Transferor further entered into an agreement to terminate the Letter of Intent (the "**Termination Agreement**"). Pursuant to the Termination Agreement, the Transferor shall refund the Earnest Money by 31 March 2025, and the repayment date may be extended to 30 April 2025 if otherwise agreed upon. As of the date of this annual report, the Transferor had not yet returned the Earnest Money.

Investment made by Tianjin Hongzhuo Enterprise Management Center (Limited Partnership)* (天津宏卓企業管理中心(有限合夥)) ("Tianjin Hongzhuo")

On 2 July 2023, New Focus (Beijing), as one of the limited partners, entered into a partnership agreement for the establishment of Tianjin Hongzhuo, contributing RMB140,000,000 out of a total capital commitment of RMB290,200,000. The purpose of Tianjin Hongzhuo is to primarily invest in fields such as new energy and new materials, including specific sub-sectors such as new energy, lithium batteries, new materials and new energy engines, prioritizing its investments in industries principally engaged in by the Group. As at 31 December 2024, the fair value of the investment of New Focus (Beijing) in Tianjin Hongzhuo was approximately RMB111,300,000, representing approximately 7.35% of the total assets of the Company.

On 3 July 2023, Tianjin Hongzhuo entered into an investment agreement for the investment in a project in the upstream sector of the carbon fiber new material industry among our reserve projects. The pre-investment valuation of the project was RMB144,000,000, and Tianjin Hongzhuo has made an equity investment in the project by way of capital contribution of RMB140,000,000, representing approximately 49.30% of the equity interests therein. The business of the project mainly includes the planning, design, construction, operation and maintenance of industrial high-pressure steam pipeline projects required by key state-owned enterprises for their production in Jilin Province. Upon completion of the construction of these pipelines, the project will provide pipeline leasing services under a lease model and receive pipeline rental fees.

As of the date of this annual report, approximately 98% of the construction of the main structure of the pipelines of the project had been completed, and the construction is expected to be completed by 31 May 2025. The completion of the project has been delayed due to the longer construction period caused by changes in the roadmap and design criteria during the construction process. The project company has been accelerating the remaining construction works to complete the construction as soon as possible. Given that the project is still under construction, investment income and operating results have not yet been recorded during the Year.

Please refer to the announcements of the Company dated 2 July 2023 and 19 July 2023 for further details of Tianjin Hongzhuo.

Investment in setting up a Fuel Cell Systemic Integration Production Line

On 6 October 2023, Jinyi (an indirect non wholly-owned subsidiary of the Company) (as the purchaser) and Hengshi Zhefeng (Tianjin) Technology Co., Ltd.* (亨世哲豐（天津）科技有限公司) (“**Hengshi Zhefeng**”, formerly known as Zheda Tongbo (Tianjin) Technology Co., Ltd.* (哲達通博（天津）科技有限公司), as the vendor) entered into a purchase agreement for the purchase of a fuel cell systemic integration production line (the “**Production Line**”) and its related equipment, as well as procedural design, debugging, training and guidance, and development, deployment and debugging services for a software platform at an aggregate consideration of RMB298,000,000 (tax inclusive) to set up the Production Line for its business operations.

On 1 August 2024, Jinyi entered into a supplemental agreement with Hengshi Zhefeng, pursuant to which Hengshi Zhefeng will provide an additional membrane electrode production line, including its installation, debugging, training and guidance services (the “**Membrane Electrode Production Line**”, and collectively with the Production Line, the “**Production Lines**”) at no extra cost.

As of the date of this annual report, the construction of the production areas and the overall debugging of the Production Lines had been substantially completed. The relevant project company has commenced the trial production of the qualified products after the debugging and acceptance thereof.

Please refer to the announcement of the Company dated 6 October 2023 for further details of the purchase of the Production Line.

Self-constructed Industrial Park of the Group

The Group is currently carrying out the construction of the Qingdao Laixi Automotive Electronics Industrial Park (the “**Industrial Park**”) in Laixi City, Qingdao, Shandong Province, the PRC, for a consideration of RMB290,212,000, which was intended to be developed into a production plant of the Group for the manufacturing of electric components of new energy vehicles. As of the date of this annual report, the Group had already paid an aggregate of RMB207,000,000, and a plant under construction of the Industrial Park had already been topped out and the construction of the civil engineering works had been completed. The electrical and mechanical parts of the plant have not yet been completed due to the delay in delivery from the fire services equipment supplier under general contracting of construction, and the plant is expected to be substantially completed on or before 30 June 2025. As of the date of this annual report, based on the Group’s production and operational needs, the Group is in the process of finalizing and adjusting the construction plan of other buildings in the Industrial Park that have yet to commence. Please refer to the announcement dated 6 October 2023 and the circular dated 28 November 2023 of the Company for further details of the construction agreement of the Industrial Park.

Investment in Shihezi Yike

On 3 April 2024, New Focus (Beijing) entered into a partnership agreement with Shenzhen Keshang Technology Co., Ltd.* (深圳市可上科技有限公司) ("**Shenzhen Keshang**"), Lin Baowen and 11 individuals, pursuant to which each of New Focus (Beijing) and Shenzhen Keshang agreed to invest in Shihezi Yike by way of making a capital contribution of RMB55,000,000 and RMB85,000,000 for approximately 29.03% interests and approximately 44.87% interests in Shihezi Yike, respectively.

As the purpose of the investment is mainly for the indirect investment into Shenzhen Etouch Technology Co. Ltd.* (深圳怡鈦積科技股份有限公司) ("**Shenzhen Etouch**"), Shenzhen Etouch, Xiamen Yike Technology Development Co., Ltd.* (廈門怡科科技發展有限公司) ("**Xiamen Yike**") (the controlling shareholder of Shenzhen Etouch) and Lin Baowen (the controlling shareholder of Xiamen Yike and the general partner of Shihezi Yike) entered into a cooperation agreement (the "**Cooperation Agreement**") with New Focus (Beijing) and Shihezi Yike on 3 April 2024. The Cooperation Agreement outlines various protection measures, including performance undertakings, put options, anti-dilution rights, pre-emption rights, right of first refusal and tag-along rights, which are in favor of New Focus (Beijing) and/or Shihezi Yike.

As of 31 December 2024, New Focus (Beijing) and Shenzhen Keshang had completed their capital contributions of RMB55,000,000 and RMB85,000,000, respectively, to Shihezi Yike for indirect investment in Shenzhen Etouch. As at 31 December 2024, the fair value of the investment in Shihezi Yike by New Focus (Beijing) was approximately RMB69,924,000. Please refer to the announcement of the Company dated 3 April 2024 for further details of the investment in Shihezi Yike.

Establishment of New Focus Newtec (Shenzhen)

On 4 September 2024, New Focus Holdings (Beijing) Co., Ltd.* (新焦點控股(北京)有限公司) ("**New Focus Holdings (Beijing)**") (a direct wholly-owned subsidiary of the Company), Mr. Tong Fei (the chairman of the Company and an executive Director) and Shenzhen Keshang established New Focus Newtec (Shenzhen) with a registered capital of RMB10,000,000, of which RMB4,500,000, RMB1,000,000 and RMB4,500,000 shall be contributed by New Focus Holdings (Beijing), Mr. Tong Fei and Shenzhen Keshang, respectively. New Focus Newtec (Shenzhen) is an indirect 45%-owned subsidiary of the Company.

Shenzhen being a hub for technological innovation, with ample potential development and business opportunities for technology-based projects related to the automotive and electronics industries, it is in the Group's interests to establish a presence in the city to make use of such opportunities and maintain its competitiveness.

Shenzhen Keshang has extensive industry experience in technology services and product promotion, particularly in the city of Shenzhen, making it a suitable partner for the Group in this endeavour.

Please refer to the announcement of the Company dated 26 September 2024 for further details of the establishment of New Focus Newtec (Shenzhen).

Funds Raising

Issue of the Bonds

On 11 March 2024, (i) the Board approved the issue of the unlisted and unsecured bonds in the aggregate principal amount of not more than HK$70,000,000 (the "**Bonds**") in one or multiple tranches, in which the maturity date of the Bonds is 31 December 2027 with an interest rate of 12% per annum; and (ii) the Company entered into a distribution agreement with Bluestone Securities (HK) Co., Limited (the "**Distributor**"), pursuant to which the Distributor has agreed to act as the selling agent of the Company to distribute the Bonds to independent institutional or private investor(s) on a best effort basis from 11 March 2024 to 10 March 2025. Please refer to the announcement of the Company dated 11 March 2024 for further details of the Bonds. As of the date of this annual report, the Bonds with an aggregate principal amount of HK$13,000,000 have been subscribed, of which HK$2,500,000 of the Bonds had been applied for redemption.

Placing of the Convertible Bonds

On 27 June 2024 and 17 July 2024, the Company entered into a placing agreement (the "**Placing Agreement**") and a supplemental placing agreement (the "**Supplemental Placing Agreement**", and collectively with the Placing Agreement, the "**Placing Agreements**") with Kingston Securities Limited (the "**Placing Agent**"), relating to the Placing Agent's placement of the 3-years convertible bonds (the "**Convertible Bonds**"), with an interest rate of 8% per annum, in the aggregate principal amount of up to HK$400,000,000 on a best effort basis to not less than six (6) placees (the "**Placing**"). The initial conversion price is HK$0.145 per conversion share.

As disclosed in the announcement of the Company dated 6 August 2024, as the conditions precedent as set out in the Placing Agreements had not been fulfilled on or before 6 August 2024, the Placing Agreements had lapsed. Please refer to the announcements of the Company dated 27 June 2024, 17 July 2024 and 6 August 2024, respectively, for further details of the Placing.

Use of Proceeds from the Subscription

The Company completed the issue of 10,449,312,134 new shares (with an aggregate nominal value of approximately HK$1,044,931,213) under specific mandate to Daodu (Hong Kong) Holding Limited ("**Daodu (HK)**") at the subscription price of HK$0.059 per subscription share (the "**Subscription**") for an aggregate consideration of HK$616,509,415.906 on 21 December 2022. 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.

On 25 September 2023, the Board resolved to change the use of approximately HK$224.51 million (equivalent to approximately RMB206 million) to invest in the hydrogen energy business through the capital contribution to Jinyi and Mianyang New Hydrogen New Energy Technology Partnership (Limited Partnership)* (綿陽新氫新能源科技合夥企業(有限合夥)) ("**Mianyang New Hydrogen**") instead, as detailed in the section headed "Significant Investments" in the 2023 annual report of the Company, in order to respond to the global trend of clean energy development.

The intended and actual usage of the net proceeds raised from the Subscription of approximately HK$615 million after amendment (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)*	Amount of net proceeds allocated after amendment on 25 September 2023 *HK$ million (approximate)*	Net proceeds utilized during the Year *HK$ million (approximate)*	Net proceeds utilized as of 31 December 2024 *HK$ million (approximate)*	Net proceeds unutilized as of 31 December 2024 *HK$ million (approximate)*	Expected timetable for utilizing the unused proceeds(Note 1)
Enhancement of the Company's manufacturing capability						
– purchase of land use rights in Economic Development Zone, Laixi City, Qingdao, Shandong Province	65	43.69	–	–	43.69	By 31 December 2025
– construction of new production plants and other supporting facilities	335	234.4	–	234.4	–	N/A
– purchase of related production equipment in the PRC for production of automotive parts for new energy vehicles	46	–	–	–	–	N/A
Repayment of the outstanding bank and other loans of the Group	111	111	–	111	–	N/A
General working capital of the Group						
– procurement costs of the Group's manufacturing and trading business and automobile dealership and service business	41	–	–	–	–	N/A
– remuneration of the Group's employees	9	1.4	–	1.4	–	N/A
– the Group's other daily expenses	8	–	–	–	–	N/A
Capital contribution to Jinyi and Mianyang New Hydrogen	–	224.51	–	224.51	–	N/A
Total	615	615	–	571.31	43.69	

Note:

1. The Company's original expectation was to utilize the relevant funds in 2023, but due to a longer than expected period for liaison and negotiation with the local government, the relevant funds have not yet been utilized as of the date of this annual report. The Company intends to finalize its plan for the use of the relevant funds (including but not limited to negotiating with the local government on the specific proposal on the disposal of the relevant land use rights in the Economic Development Zone, Laixi City, Qingdao, Shandong Province) by 31 December 2025.

Please refer to the announcements of the Company dated 28 May 2021, 13 September 2021, 21 December 2022, 30 March 2023, 24 April 2023 and 25 September 2023 and the circular of the Company dated 29 July 2021, respectively, for further details of the Subscription.

Exchange Risks

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

Approximately 80% of the turnover from the Group's manufacturing and trading business was generated from the export of its products settled in USD. The raw materials used to produce such products were purchased in RMB. Therefore, the depreciation of USD against RMB would normally have an adverse effect on the profitability of the Group's manufacturing and trading business. The Group managed its exposure to USD foreign currency risks by making USD or HKD borrowings to mitigate against such exchange risks. As at 31 December 2024, the Group did not borrow in USD borrowings (31 December 2023: nil) and the amount of HKD borrowings was approximately HK$74,191,000 (31 December 2023: HK$61,191,000).

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 domestic sales of the Group's manufacturing and trading business and automobile dealership and services business. As the US is a major export market for the Group's manufacturing and trading business, the worsening China-US relations will affect the results of the Group's manufacturing and trading 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 and trading business, so as to reduce the reliance on the export market.

Contingent Liabilities

The contingent liabilities of the Group were approximately RMB12,178,000 (31 December 2023: RMB12,178,000) for the Year, which was attributable to the lawsuit filed by a third party against a subsidiary of the Company. For details, please refer to the section headed "Lawsuits" in this annual report.

Lawsuits

Ningbo Jiche against Inner Mongolia Chuangying

As stated in the Company's announcement dated 5 June 2023, Inner Mongolia Chuangying was served with a summons as one of the defendants and was required to attend a court hearing on 28 June 2023 in a lawsuit filed by Ningbo Jiche Trading Co., Ltd.* (寧波極車貿易有限公司) ("**Ningbo Jiche**") as the plaintiff. Ningbo Jiche alleged that Inner Mongolia Chuangying breached a sales contract (the "**Sales Contract**") between them by not paying the outstanding amount of RMB8,506,800 in accordance with the Sales Contract. The claims of Ningbo Jiche against Inner Mongolia Chuangying are as follows:

(1) request before the court for a ruling that Inner Mongolia Chuangying shall pay the outstanding amount of RMB8,506,800 and compensate Ningbo Jiche for losses due to the overdue payment (calculated based on RMB8,506,800, multiplied by 1.5 times of the one-year loan prime rate (LPR) published by the National Interbank Funding Center authorized by the People's Bank of China commencing from 9 October 2019 until the actual payment date). The calculated loss was RMB2,160,106.9 as of 14 April 2023;

(2) request before the court for a ruling that Inner Mongolia Chuangying shall pay RMB1,010,680 as liquidated damages;

(3) request before the court for a ruling that Inner Mongolia Chuangying shall compensate Ningbo Jiche the legal fees of RMB500,000; and

(4) request before the court for a ruling that Inner Mongolia Chuangying shall bear the litigation costs and the preservation fees.

The above-mentioned case has been ordered by Hohhot Huimin District People's Court to be transferred to the Beijing Dongcheng District People's Court for trial. The trial time has not yet been fixed, so there is no substantive progress with the case. Owing to the ongoing litigation and the uncertainty regarding the implementation and execution of the post-trial rulings, the principal amount of contingent liabilities that may be caused to the Group as a result of these litigation matters is approximately RMB12,178,000. Please refer to the announcement of the Company dated 5 June 2023 for further details of the lawsuits.

Employees and Remuneration Policy

During the Year, the Group employed a total of 714 full-time employees (31 December 2023: 684), of which 187 (31 December 2023: 142) 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 staff. The Group emphasizes the importance of staff development and provides relevant training programs on an ongoing basis with reference to its strategic objectives and the performance of its staff.

Environmental Policies and Performance

The Group has been continuously promoting the establishment and improvement of environment-related management 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 minimize the damage to the environment. The manufacturing and trading 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 labor, fire prevention, environmental protection and product liability, including but not limited to the Law of Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Law of Prevention and Control of Noise Pollution of the People's Republic of China (《中華人民共和國噪聲污染防治法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law on Product Quality of the People's Republic of China (《中華人民共和國產品質量法》), the 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

According to the latest production and sales figures of the automobile industry released by the China Association of Automobile Manufacturers, the sales volume of automobiles in China amounted to approximately 31,436,000 during the Year, representing a year-on-year increase of approximately 4.5%, of which the sales volume of passenger vehicles amounted to approximately 27,563,000, representing a year-on-year increase of approximately 5.8%. Although the automobile sales market demonstrated outstanding performance in the first half of 2024, the automobile sales market experienced a slowdown in growth in the second half of the year due to uncertainties in global economic development and fluctuations in consumer confidence. The industry in which the Group operates still faces several challenges, including multiple pressures brought about from the sustainability of China's economic recovery, insufficient consumer confidence and uncertainty of the global trading environment.

During the Year, the hydrogen energy industry in China has made significant progress driven by supporting policies and market demand. According to the data from National Energy Administration, by the end of 2024, there has been approximately 1,200 hydrogen refueling stations completed in China, representing a year-on-year increase of approximately 40%. The sales volume of fuel cell electric vehicles (FCEVs) also achieved rapid growth, with annual sales volume reaching approximately 15,000 units, representing a year-on-year increase of approximately 50%. This growth is mainly attributable to the in-depth implementation of the "Hydrogen Industry Medium and Long-term Development Plan (2021-2035)" (《氫能產業發展中長期規劃(2021-2035)》), and proactive deployment and financial support of local governments for the hydrogen energy industry chain. In addition, technological advancements and large-scale production have further reduced the cost of fuel cell systems, with the average cost of fuel cell systems in 2024 decreasing by approximately 15% as compared to 2023. With the continuous improvement of hydrogen infrastructure and ongoing technological breakthroughs, the prospects for the application of hydrogen energy in transportation, industry, and energy storage are becoming increasingly promising, and it is expected that the hydrogen energy industry will continue to maintain a high-speed growth trend in the coming years.

Automobile Dealership and Services Business

In 2024, after the withdrawal of the authorization of the automotive brands under the Group's dealership, our original customer base continued to diminish, and business related to the sales of new vehicles has come to a halt in most regions, with only a portion of the maintenance business remaining to address customer issues passed from previous operations, such as providing services related to extended warranties and prepaid maintenance and insurance.

The Group mainly implemented the following operating strategies for the automobile dealership and services business in 2024:

First, we converted some full-time employees to temporary employees to reduce staffing costs of the Group.

Second, we resolved outstanding issues of outlets with no brand license.

Manufacturing and Trading Business

In 2024, the operating revenue of the manufacturing and trading business of the Group decreased by approximately 7% as compared to that for the corresponding period of 2023. Revenue from the export business decreased by approximately 10% in RMB as compared to that for the corresponding period of 2023, as more and more foreign customers were seeking non-PRC manufacturing suppliers against the backdrop of the intensifying deterioration in Sino-US relations. Revenue from the domestic trade business increased by approximately 7% as compared to that for the corresponding period of 2023. The Group managed to maintain the overall scale of export orders by continuously identifying appropriate OEM manufacturers in Vietnam for its manufacturing and trading business, while committed to expanding into the domestic pre-installation new energy business and lithium battery product business. The gross profit margin of the manufacturing and trading business of the Group slightly decreased as compared to that for the corresponding period of 2023 mainly due to the lower gross profit margin of the products with the largest sales of domestic trade pre-installation.

The Group has further improved the organizational structure of its manufacturing and trading business by setting up an independent engineering department and newly establishing a laboratory and a new energy power supply team under the R&D department. The newly established product planning department is also gradually developing a product roadmap to clarify the direction of our future development and the positioning of our business. Through nurturing the pool of R&D professionals and high-caliber talents, the Group has gradually expanded its product portfolio under R&D of its manufacturing and trading business from traditional single power supplies and inverters to new energy products. Meanwhile, the Group has implemented the “Lean Production and Digital Chemical Plant Project” for its manufacturing and trading business and will continue to promote normalized management. The “Manufacturing Execution System” is also implemented in phases to meet new industrial requirements and further strengthen the transformation. The Group will continue to enhance its product capacity of its manufacturing and trading business by reducing costs and increasing efficiency to embrace more market opportunities.

The Group will expand its export business into the African and Australian markets for its manufacturing and trading business, and achieve the relevant cooperation and product delivery for mobile energy storage and RV power supply products. Moreover, the Group’s manufacturing and trading business will position itself in the commercial vehicle power supply and electric industrial vehicle power supply product sectors, while launching battery products for trucks to lay the foundation for further expansion in these markets.

Hydrogen-Related Business

The Group's hydrogen-related business, as a provider of hydrogen fuel cell R&D, sales and holistic solutions, provides hydrogen-related products and solutions to government and leading customers in the IDC sector. The main business includes the sale of equipment, hydrogen consultancy and the provision of hydrogen services.

As of the date of this annual report, the Group's operating entity in the hydrogen-related industry has substantially completed the construction of the relevant production areas and the production line in relation to the hydrogen-related construction project. Such business segment of the Group has possessed the core technology and equipment manufacturing capabilities of the 180kW hydrogen fuel cell system for vehicles and MW level hydrogen power plant, in which the fuel cell system production line meets the technical requirements of automation, intelligence, network connection, standardization, advanced equipment and energy recycling.

The Group's operating entity in the hydrogen-related industry will take "fuel cell systems + distributed power stations" as its main product to create a demonstrative scenario of hydrogen energy application in regards to transportation and data centers and promote the business development of products. At the same time, the Group's operating entity in the hydrogen-related industry will continuously be committed to strengthening cooperation with partners in hydrogen production, hydrogen storage, hydrogen refueling and other industries, so as to build the Company into a comprehensive hydrogen energy solution provider.

Prospects

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

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 42, 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 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. Mr. Tong is also a director of certain subsidiaries of the Company and has a 10% interest in each of New Focus Newtec (Shenzhen) and New Focus Technology (Shanghai) Co., Ltd.* (紐福克斯科技(上海)有限公司) (“**New Focus Technology (Shanghai)**”), which are both indirect 45%-owned subsidiaries of the Company.

Independent Non-executive Directors

Mr. Li Qingwen

Mr. Li, aged 69, is an independent non-executive Director, and 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 Hidden Unicorn Information Technology Academy* (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.

Mr. Zhang Kaizhi

Mr. Zhang, aged 51, is an independent non-executive Director, and graduated from Zhongnan University of Economics and Law (中南財經政法大學) and received an EMBA degree from National Tsing Hua University (國立清華大學) in Hsinchu City, Taiwan. He is also a Chinese certified public accountant and appraiser, with securities practitioner and fund practitioner qualifications. Mr. Zhang has been a partner of Shenzhen Jiuan Certified Public Accountants (Special General Partnership)* (深圳久安會計師事務所(特殊普通合夥)) since October 2021. Mr. Zhang served as the deputy director of the financial department of Hubei Sanlida Building Materials Industry Group Co., Ltd.* (湖北三利達建材工業集團有限公司) and the manager of the financial department of Netherlands Anyunlong Group (Shanghai) Company* (荷蘭安運隆集團(上海)公司) from December 1993 to November 1999; the deputy general manager of Hubei Dawei Assets Appraisal Co., Ltd.* (湖北大維資產評估有限公司) from December 1999 to August 2005; and a partner of each of Shenzhen Cexin Hongye Certified Public Accountants (General Partnership)* (深圳策信泓業會計師事務所(普通合夥)) and Shenzhen Guotai Certified Public Accountants (General Partnership)* (深圳國泰會計師事務所(普通合夥)) from August 2005 to October 2021. Mr. Zhang joined the Group in June 2023.

Ms. Luo Baiyun

Ms. Luo, aged 48, is an independent non-executive Director, and graduated from Shandong University of Political Science and Law (山東政法學院), and is a PRC lawyer and a registered foreign lawyer in Hong Kong. Ms. Luo is currently a partner of Zhi Heng Law Firm (知恒律師事務所) and her main practice area is cross-border legal matters related to Mainland China and Hong Kong. Ms. Luo worked for the Shenzhen Branch of Bank of Communications Co., Ltd.* (交通銀行股份有限公司深圳分行) from 2004 to 2011, and previously worked for several law firms including Sincere Partners & Attorneys (廣東星辰律師事務所) and its Hong Kong branch, Kan & Co., Fred (簡家聰律師行), and Tahota (ShenZhen) Law Firm* (泰和泰（深圳）律師事務所), with extensive experience in legal practice. Ms. Luo joined the Group in August 2024.

Senior Management

Mr. Zhao Yufeng

Mr. Zhao, aged 49, is the chief executive officer of the Company since 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 the 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 the No. 5 Over-the-counter Market Department 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 35, 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.

Mr. Shao Ming

Mr. Shao, aged 42, is a vice president of the Company, and is responsible for the operation and management of the Group's manufacturing and trading business. Mr. Shao is also a director of New Focus Lighting & Power (Shanghai), a subsidiary of the Company.

Mr. Shao graduated from Harbin Institute of Technology in 2005, majoring in mechanical design, manufacturing and automation, and obtained a master's degree in business administration from Tsinghua University in 2023. Mr. Shao previously worked at Chery Automobile Sales Co., Ltd.* (奇瑞汽車銷售有限公司) and Joyerauto Dealership Group* (惠通陸華汽車經銷商集團). Mr. Shao has extensive management experience in the automobile manufacturing industry, as well as experience in product research and development and supplier standard management. Mr. Shao joined the Group in July 2023.

Mr. Li Kaiqi

Mr. Li, aged 40, is a vice president of the Company, and is responsible for the operation and management of the Group's new energy business, international market business and industrial investment. Since March 2024, Mr. Li has also been responsible for the internal control management of the Group.

Mr. Li graduated from China University of Political Science and Law in 2008 with a bachelor's degree in law, and obtained a master's degree in international economic law in 2011 from Transnational Law and Business University (國際法律經營大學) in Korea. Mr. Li served as a panel lawyer in the Ministry of Commerce's international investment legal affairs, was selected as a foreign-related lawyer talent in Beijing Lawyers Association, and is a member of China New Energy International Alliance* (新能源海外發展聯盟). Mr. Li previously worked at Zhong Lun Law Firm (Beijing)* (北京中倫律師事務所), Zhonghong Zhuoye Group Co., Ltd.* (中弘卓業集團有限公司) and Beijing Senwo Capital Management Co., Ltd.* (北京森沃資本管理有限公司). Mr. Li has extensive experience in corporate compliance, mergers and acquisitions, investment and financing business and corporate management. Mr. Li joined the Group in January 2023.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the Year.

Corporate Governance Practices

The Board believes good corporate governance practice is the key to business growth and management of the Group. The Company has applied the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Listing Rules throughout the Year. In the opinion of the Board, the Company has fully complied with the code provisions as set out in the Code during the Year, except for the deviations set out below:

Code provision C.2.1 requires that the division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Although the division of responsibilities between the chairman and the chief executive officer has not been set out in writing by the Company at the beginning of the Year, based on the close communication between Mr. Tong Fei, the chairman of the Company, and Mr. Zhao Yufeng, the chief executive officer of the Company, the division of responsibilities between them in practice is very clear and therefore the management of the Group will not be affected as a result. Since 28 March 2024, the Company has complied with the relevant regulations by setting out in writing the division of responsibilities between the chairman and the chief executive officer.

Code provision D.2.5 requires that the issuer should have an internal audit function. The Company did not have a specific internal audit function at the beginning of the Year, but instead mainly relied on certain functional departments of the Company to carry out part of the internal audit functions. During the Year, the Company has engaged an independent internal control consultant to conduct an investigation on the Group's internal control and a report was issued by the consultant to the Board for discussion and reference, based on which, relevant internal control systems prepared by functional departments of the Company were approved in January 2024. In addition, the Board and the management also focused on rectification with a view to improving the Company's internal controls as a whole. The Board discussed the necessity of establishing an independent internal audit function, as well as the details of the reporting lines and costs of the internal audit function at the Board meetings held in January 2024. Furthermore, at a meeting held on 28 March 2024, the Board appointed suitable personnel to be in charge of the internal audit in order to establish an internal audit function.

The Company also had the following non-compliance with the Listing Rules during the Year:

Minimum Number of Independent Non-executive Directors

Following the resignation of Mr. Huang Bo as an independent non-executive Director on 16 August 2024, the number of the independent non-executive Directors and the members of the audit committee (the "**Audit Committee**") of the Company had fallen below the minimum number required under Rules 3.10 and 3.21 of the Listing Rules during the Year.

Following the subsequent appointment of Ms. Luo Baiyun as an independent non-executive Director on 23 August 2024, the number of the independent non-executive Directors and the members of the Audit Committee have complied with the minimum number required under Rules 3.10 and 3.21 of the Listing Rules.

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 C3 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 Year.

Corporate Culture

The Group's vision and mission, values and culture are as follows:
Vision: To be a world-class converter in the new energy sector
Mission: To realize efficient and reliable energy conversion
Slogan: Technology leads industry, investment drives innovation

The Group is committed to building energy conversion systems in the new energy sector and achieving full coverage across the energy conversion market through R&D, production and sales of consumer-grade, commercial-grade and industrial-grade products. Meanwhile, the Company will extend its industrial layout via industrial funds and other means to diversify energy conversion scenarios, so as to lay a solid foundation for the Company's next target of becoming a "Little Giant" enterprise with the features of specialization, refinement, uniqueness and innovation.

Values and corporate culture

Specialization – We passionately deliver what our customers need, ensuring the provision of flawless products and services, while maintaining customer satisfaction and loyalty.

- The Company's keen perception of customer needs and market changes guides business strategy and operational decisions.

- The Company's focus in its culture reflects the persistence and dedication of its employees to their work as well as their unremitting pursuit of providing quality products and services.

Coordination – We are united by embracing the spirit of diversity, equity and inclusiveness.

- The Company integrates and leverages the geographical and professional strengths of its member enterprises, demonstrating the spirit of coordination and encouraging teamwork to achieve greater success.

- The spirit of coordination permeates the co-operative relationships between departments within the Company and our partners, facilitating the achievement of efficient business operations and quality customer service.

- The Company's culture promotes openness, trust and knowledge sharing while encouraging employees to support, learn from and co-operate with each other to achieve common goals.

The Group is principally engaged in the operation of manufacturing and trading and hydrogen-related businesses. In terms of the manufacturing and trading business, we focus on the R&D, manufacturing and sales of energy conversion products. With the integration of an internal supply chain, improvement of production efficiency and investment in R&D resources, we continue to enhance product innovation and competitiveness, and are committed to its own plant development. In terms of the hydrogen-related business, as a provider of hydrogen fuel cell R&D, sales and holistic solutions, the Group provides hydrogen-related products and solutions to the government and leading customers in the logistics and computing sector.

Since its establishment in 1989, we have kept pace with the times in our business model to keep ahead of our peers. In recent years, we have paid close attention to national strategic emerging industries and high-tech fields, and actively invested in hydrogen and other new energy sectors. Under the premise of focusing on the Group's main business, we carefully select the direction of industrial investment and form an ecological matrix by integrating with those resources in emerging industries while providing quality pre-installed and post-installed products.

The Group has 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 subsidiaries of the Group have also placed "Waiting for Suggestion Boxes" (pictured at right) at several locations in the production plants to provide an anonymous channel for employees to express their opinions at any time in an unmonitored environment, and arrange to make relevant measures and responses after collecting opinions in a timely manner.

Our corporate culture emphasises teamwork, innovation and customer commitment. We encourage communication and co-operation among our employees to develop their technical and operational skills so as to find success in the changing markets. We attach importance to employee feedback, and the Board makes decisions and formulates strategies accordingly. In terms of environmental, social and governance matters, we adopt measures to support a culture of sustainability and incorporate it into our environmental, social and governance report. The Board believes that the Group's vision, values and strategies are in line with our corporate culture. During the Year, a number of initiatives were undertaken to maintain a desirable corporate culture, which ensured the circulation of information and technology within the Group, fostered the development of forward-thinking and assisted the Board in its decision making and strategy formulation through employee feedback.

During the Year, the Group continued to bolster its corporate culture framework through various strategic initiatives. The relevant achievements and details are discussed in the section headed "Chairman's Statement" in this annual report. The key performance indicators reflecting the financial capability and business objectives of the Group are set out in the section headed "Results Highlights" in this annual report. For more details of the incentives that support our culture of sustainability, and for the measures to evaluate and monitor our culture, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

Please refer to the Company's website for more information on our corporate values, strategies and culture.

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 a 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. The executive Director 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 and/or up to the date of this annual report were:

Executive Director
Mr. Tong Fei *(Chairman)*

Independent non-executive Director(s)
Mr. Li Qingwen
Mr. Zhang Kaizhi
Ms. Luo Baiyun *(appointed on 23 August 2024)*
Mr. Huang Bo *(resigned on 16 August 2024)*

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

In compliance with Rule 3.09D of the Listing Rules, Ms. Luo Baiyun, who was appointed as an independent non-executive Director on 23 August 2024, obtained the legal advice referred to in Rule 3.09D on 22 August 2024, and Ms. Luo Baiyun has confirmed that she understood her obligations as a Director.

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 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

Code provision 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. Mr. Tong Fei is the chairman of the Board, effective from 24 November 2023; whereas the functions of chief executive officer were and are performed by Mr. Zhao Yufeng. The chairman is responsible for the leadership and effective running of the Board, while Mr. Tong Fei (as the executive Director) and the chief executive officer are delegated with the authority to manage the daily business operations of the Group together 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. During the Year, the Company organized various trainings conducted by the legal advisers of the Company for the Directors and senior management. The trainings covered topics such as risk management and internal controls, corporate governance, discloseable and connected transactions. Reading materials on regulatory updates were provided to the Directors for their reference and study. Directors are requested to provide their training records to the Company Secretary for record-keeping.

	Corporate governance/ updates on laws, rules and regulations/finance/business	
Name of Directors	**Read materials**	**Attended seminars/ briefings**
Mr. Tong Fei	√	√
Mr. Li Qingwen	√	√
Mr. Zhang Kaizhi	√	√
Ms. Luo Baiyun *(appointed on 23 August 2024)*	√	√
Mr. Huang Bo *(resigned on 16 August 2024)*	√	√

Board Committees & Corporate Governance Functions

The Board has established the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company 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). 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. Zhang Kaizhi *(Chairman)*
Mr. Li Qingwen
Ms. Luo Baiyun *(appointed on 23 August 2024)*
Mr. Huang Bo *(resigned on 16 August 2024)*

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 recommendations 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, the Audit Committee had performed, among others, the following:

- review and discussion of the annual financial results and report in respect of the year ended 31 December 2023;

- review and discussion of interim financial results and report for the six months ended 30 June 2024 and discussion with the management of the accounting principles and practices adopted by the Group;

- review and discussion of the internal control review done by PRO-WIS Risk Advisory Services Limited ("**PRO-WIS**") as independent internal control adviser, follow up with the review results and the implementation of the remedial steps taken;

- review and discussion of the internal control report prepared by PRO-WIS;
- 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 their effectiveness and the need for an internal audit function of the Group.

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

Remuneration Committee

The Remuneration Committee comprised/comprises the following members:

Mr. Li Qingwen *(Chairman)*
Mr. Tong Fei
Mr. Zhang Kaizhi *(appointed on 16 August 2024)*
Ms. Luo Baiyun *(appointed on 23 August 2024)*
Mr. Huang Bo *(resigned on 16 August 2024)*

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, the Remuneration Committee had performed, among others, the following:

- review and discussion of the remuneration policy of the Group and the remuneration packages of the Directors and senior management of the Company; and
- discussion and determination of the remuneration of the Company's newly appointed independent non-executive Director, namely, Ms. Luo Baiyun.

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. 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 compensation for loss of office in connection with the management of the affairs of any member of the Group in respect of the Year.

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

Remuneration paid to senior management staff of the Company in 2024 by band is as follows:

	Number of staff
Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	2

Nomination Committee

The Nomination Committee comprised/comprises the following members:

Mr. Tong Fei *(Chairman)*
Mr. Li Qingwen
Mr. Zhang Kaizhi *(appointed on 16 August 2024)*
Ms. Luo Baiyun *(appointed on 23 August 2024)*
Mr. Huang Bo *(resigned on 16 August 2024)*

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, the Nomination Committee 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;
- recommendation of the re-appointment of those Directors standing for re-election at the 2024 annual general meeting of the Company; and
- recommendation of the appointment of Ms. Luo Baiyun as an independent non-executive Director.

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 has achieved gender diversity in respect of the Board by appointing one female Director to the Board within the year of 2024. In terms of Board succession, the Nomination Committee will engage independent professional recruitment agencies to assist in the identification of director candidates as and when necessary. 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
	3	1

Nationality	Chinese
	4

Age group	30-39	40-49	50-59	60-69
	0	2	1	1

Length of service	5 years or below	Over 5 years and under 10 years
	3	1

As to the diversity in respect of all employees, the current gender ratio of all employees (including senior management) of the Group is approximately 49% (male) to approximately 51% (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 adopted a workforce diversity policy (the "**Workforce Diversity Policy**") to build a diversified and inclusive working environment based on race, ethnicity, gender, religion, marital status, age, sexual orientation, gender identity, etc. The Workforce Diversity Policy seeks to:

- ensure fairness and equality in the recruitment process, and eliminate prejudice and discrimination in recruitment, promotion and remuneration procedures;

- implement the introduction of surveys and evaluations related to employee satisfaction with diversity and inclusion, and how to improve upon these aspects; and

- allow for feedback on violations of the Workforce Diversity Policy through relevant channels, to which the Group will conduct serious investigations and take appropriate corrective measures.

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

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

- ensure diversity and inclusivity in the recruitment process, which is highly dependent on the candidacy of applicants.

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, 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	General Meetings
Mr. Tong Fei	13/13	–	2/2	2/2	1/1
Mr. Li Qingwen	9/13	1/2	1/2	1/2	1/1
Mr. Zhang Kaizhi	13/13	2/2	1/1	1/1	1/1
Ms. Luo Baiyun *(appointed on 23 August 2024)*	1/1	1/1	–	–	–
Mr. Huang Bo *(resigned on 16 August 2024)*	3/3	1/1	1/1	1/1	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. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 72 to 74 of this annual report.

Material Uncertainty Related to Going Concern Basis

Under the code provision D.1.3 of the CG Code, the Directors are responsible for preparing the accounts, and where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, this should be disclosed and discussed.

As set out in note 2 to the consolidated financial statements, as at 31 December 2024, the Group incurred a loss for the Year of approximately RMB71,842,000, and, as of the date of this annual report, the Group's current liabilities exceeded its current assets by approximately RMB63,371,000. Further, the Group has short-term bank and other borrowings amounting to approximately RMB248,479,000. As at 31 December 2024, the Group had cash and cash equivalents amounting to approximately RMB89,358,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Based on the information currently available to the Board, the Directors and the Audit Committee are of the view that with the measures to be taken by the Group (namely, tightening cost control, obtaining new banking facilities, acceleration of construction progress, etc), the Group will have sufficient working capital for its current needs and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Internal Control and Risk Management

The internal control and risk management systems of the Group have been designed to identify risks relevant to the Group's business from an operational, corporate governance and macroeconomic perspective. The Board, discharging its risk oversight function, ensures that the senior management establishes an effective risk management regime, consistent with the Group's strategy and risk appetite. The senior management of the Company establishes risk management policies and internal control processes to identify, evaluate and manage risks. Each subsidiary of the Company applies such policies and processes in the daily operations and reports significant risks identified to the senior management. The senior management assesses and evaluates these significant risks reported then allocates adequate resources to address these risks and monitors the risk management status reported from the relevant subsidiary from time to time. The Board is responsible for maintaining and reviewing annually the effectiveness of the risk management and internal control systems of the Group.

Furthermore, the main features of the systems are to clarify multi-tiered lines of defense through hierarchical arrangements (encompassing the Group's subsidiaries, senior management, the Group's internal audit personnel, the Audit Committee, and the Board), to safeguard the assets of the Group against misappropriation, to serve as a management tool for the day-to-day operation of business, and to maintain proper accounting and procedural records for proper disclosure in compliance with the Listing Rules and other relevant laws, rules and regulations. 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, an internal audit function has been in place within the Group to review the adequacy and effectiveness of its systems of internal control and risk management.

During the Year, the Group's internal audit personnel assessed the effectiveness of the risk management and internal control systems of the Group through internal inspection and review. 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. 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 control including internal controls, financial, operational and compliance control and risk management functions.

The Company had appointed PRO-WIS as the independent internal control adviser of the Company to conduct an additional internal control review and make corresponding recommendations to improve and enhance, inter alia, the internal control systems of the Group relating to the transfer of equity interests, the provision of guarantees and pledged assets, and seal management (the "**Internal Control Review**"). Please refer to the announcement of the Company dated 8 April 2024 for further details of the Internal Control Review. The Board and management had regularly reviewed the internal control systems, including those newly adopted policies and procedures, and closely follow up if they had been properly and strictly followed. Further enhancements will be made from time to time in light of the latest statutory and regulatory regime.

The Company had re-appointed PRO-WIS to review the effectiveness of the risk management and internal control systems for the Year (the "**Annual Internal Control Review**"). PRO-WIS has reviewed the revenue process, financial reporting and disclosure process of New Focus Lighting & Power (Shanghai) and made corresponding recommendations.

The Audit Committee reviewed and discussed the comments and suggestions from the Company's external auditors and PRO-WIS regarding the effectiveness of the risk management and internal control systems of the Group (including New Focus Lighting & Power (Shanghai)), 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, so as to ensure the improvement and the effective implementation of the risk management and internal control systems of the Group during the Year.

Having considered the reports of the Internal Control Review and the Annual Internal Control Review, and the remedial actions taken by the Group, both the Audit Committee and the Board are of the view that the enhanced internal control measures implemented by the Company are adequate and sufficient to address the key findings of the reports. The Board will continue to closely monitor the enhanced internal control measures, new policies and procedures on an ongoing basis to ensure that they are still fit for purpose by design, have been fully implemented, and are working effectively.

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, 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.

During the Year, the Board has also 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 and considered that they are effective and adequate.

External Auditors and Auditors' Remuneration

During the Year, the fees paid/payable to HLB Hodgson Impey Cheng Limited (the "**Auditors**") in respect of their audit services for the financial year ended 31 December 2024 amounted to RMB2,600,000, which is for the annual audit service; while no non-audit services had been provided by the Auditor.

During the Year, 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.

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 recognizes 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 maintains 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 and circulars are available on the websites of the Stock Exchange (www.hkexnews.hk) and 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, the Company reviewed the implementation and effectiveness of such policy. Based on the communication between the Company and its shareholders during the Year, the Company considered such implementation and the policy itself to be adequate and effective in facilitating communication between the Company and its shareholders.

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 or making recommendations at general meetings. 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, 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.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and the poll 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 (《中華人民共和國監察法》), the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the United Nations Convention against Corruption (《聯合國反腐敗公約》), 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 fighting and eliminating 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.

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

The Company has established "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 orally; 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 a 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 a 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 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 ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix C2 to the Listing Rules. The ESG report aims to explain the Company's policies for the year ended 31 December 2024 (the "**Year**") 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".

Principles	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.	Through constant communication with stakeholders and taking into account the Group's strategic development and business operations, the Group identifies material sustainability issues currently faced by us, evaluates and prioritizes them based on their materiality and their deemed level of risk to the successful operation of the Group's businesses, and reports on how the management of 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 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.

Sustainability Materiality Identification

The Group values the importance of the materiality assessment on ESG issues to ensure an understanding of the materiality of each ESG issue to the business development of the Group and the expectation of stakeholders, thereby facilitating the Group's effective disclosure of ESG information and continuous improvement in the management of relevant issues. The materiality assessment on ESG issues of the Group during the Year covers the following steps:

Step 1: The Group has identified the following 17 issues in accordance with the disclosure requirements set out in the ESG Reporting Guide and based on the business characteristics and daily operation of the Group. These issues are considered to have significant impacts on the environment and the society during the Group's operations;

Step 2: Based on our understanding of stakeholders' demands and expectations during our daily operation, the Group determined the materiality of ESG issues by benchmarking the key points and trends in ESG works of industry peers;

Step 3: Based on the results of the materiality assessment, the Group determined the disclosure priorities for the ESG report for the Year and the key points and directions for the Group's ESG work in the future.

Key Focus Areas

Based on the business in which the Group operates, 5 key areas *(Note)* below were prioritized in our sustainability management strategy. While taking into account its environmental and social responsibilities, the Group would pay more attention to the above areas, and strive to achieve continuous improvement and sustainable business development:

Aspects	**Issues**			
Society	1.	Equal opportunity	**6.**	**Anti-corruption and money laundering**
	2.	**Development and training**	**7.**	**Complaint handling**
	3.	Occupational health and safety	8.	Community investment
	4.	Employee benefits	**9.**	**Product responsibility**
	5.	Prohibition of child labor and forced labor	**10.**	**Supply chain management**
Environment	11.	Exhaust emissions	16.	Paper consumption
	12.	Greenhouse gas emissions	17.	Climate change
	13.	Waste management		
	14.	Energy consumption		
	15.	Water consumption		

Note: highlighted in bold.

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, Company's 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 in office spaces with a legal disposal rate of hazardous waste of 100%;

- Ensuring that 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; and

- 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 exhaust and greenhouse gas emissions, 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 Noise Pollution of the People's Republic of China (《中華人民共和國噪聲污染防治法》). A set of relevant guidelines has been prepared by the Group with reference to relevant regulations and national standards for the members of the Group to observe such guidelines 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 and trading 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 has effectively reduced carbon dioxide emissions. The Group's emissions of carbon dioxide were 4,037.25 tonnes in 2024, representing a decrease of 92.7 tonnes as compared with 2023, of which direct greenhouse gas emissions (Scope 1) were 524.84 tonnes, and indirect greenhouse gas emissions (Scope 2) associated with purchased electricity were 3,512.41 tonnes. The intensity of carbon dioxide emissions of the Year (calculated per employee) was approximately 5.65 tonnes per person. The Group will continue its efforts to reduce gas emissions and strive to achieve the goal of maintaining or reducing the intensity of gas emissions in the next reporting year.

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 Group's waste gas emissions data in 2024 are as follows:

	2023	**2024**	Year-on-year decrease (%)	Intensity of the Year (calculated per employee)
Nitrogen oxides (tonnes)	0.0182	**0.0164**	10.29	0.0000230
Sulfur dioxide (tonnes)	0.000308	**0.000260**	15.68	0.0000004
Particulate matters (tonnes)	0.0001346	**0.0001208**	10.28	0.0000017

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, which previously mainly originated from waste tires, waste batteries and wastewater generated from automobile dealership segment. With the restructuring of the business of the segment, the non-hazardous wastes generated have been significantly reduced. For the few non-hazardous wastes that are still generated, we give priority to recycling or reprocessing and cooperate with professional suppliers to realize the renewable value of resources. For wastes that cannot be recycled, we also engage qualified third-party organizations for harmless treatment. The table below sets forth the volume of various wastes generated by the Group in 2023 and 2024, respectively.

Hazardous waste:

	2023	**2024**	Year-on-year increase/ decrease (%)	Intensity of the Year (calculated per employee)
Used toner cartridges (tonnes)	0.085	**0.030**	64.706	0.000042
Used ink cartridges (tonnes)	0.136	**0.026**	80.882	0.000036
Waste oil (tonnes)	0.185	**–**	100	–

Non-hazardous waste:

	2023	**2024**	Year-on-year increase/ decrease (%)	Intensity of the Year (calculated per employee)
Waste tires (tonnes)	1.400	**–**	100	–
Waste batteries (tonnes)	2.000	**–**	100	–
Wastewater (tonnes)	400	**–**	100	–

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;

- 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 electricity and the total volume of packaging materials decreased in 2024. The total water consumption of the Group amounted to 54,915 tonnes in 2024, representing a decrease of 0.518% as compared with 2023 or a decrease of 286 tonnes as compared with the total consumption in 2023. The water used by the Group 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 4,526,340 kWh in 2024, representing a decrease of 231,244 kWh as compared with 2023. The Group consumed a total of 442,720 pieces of office paper in 2024, representing an increase of 48,648 pieces as compared with 2023. The packaging materials used by the Group are primarily cardboard, paper and plastic, with a total volume of packaging materials of 1,284.5 tonnes in 2024 (2023: 1,488.6 tonnes), representing a decrease of 204.1 tonnes as compared with 2023.

	2023	**2024**	Year-on-year increase/ decrease (%)	Intensity of the Year (calculated per employee)
Water (kilotonnes)	55.20	**54.92**	0.518	0.08
Electricity (thousand kWh)	4,757.58	**4,526.34**	4.861	6.34
Office paper (pieces)	394,072.00	**442,720.00**	-12.3	620

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 technological 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 major risks 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 against 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.

To raise employees' sense of belonging and well-being, 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		**FY2023/24**	FY2022/23	FY2021/22
Number of employees by gender	Male	**350**	331	397
	Female	**364**	353	388
Number of employees by age group	18-30	**83**	83	115
	31-40	**245**	249	297
	41-50	**246**	223	249
	Over 51	**140**	129	124
Number of employees by employment type	Full time	**706**	684	785
	Part time	**8**		
Number of employees by geographical region	Shanghai	**468**	441	489
	Inner Mongolia Autonomous	**8**	40	122
	Shandong Province	**181**	203	174
	Other regions	**57**	–	–
Total number of employees		**714**	684	785

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

Category		**FY2023/24**	FY2022/23	FY2021/22
Employee turnover by gender	Male	**-19**	74	112
	Female	**-11**	56	129
Employee turnover by age group	18-30	**0**	38	97
	31-40	**4**	59	108
	41-50	**-23**	28	28
	Over 51	**-11**	-5	8
Employee turnover by geographical region	Shanghai	**-27**	48	195
	Inner Mongolia Autonomous	**32**	82	142
	Shandong Province	**22**	-29	4
	Other regions	**-57**	–	–
Total turnover rate		**-4.2%**	19%	31%

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 rescue knowledge. Fire drills are arranged when necessary and as appropriate. Various fire safety facilities have been installed in all business premises, 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. Below are the photos of fire drills conducted by the subsidiaries of the Group during the Year.

For the past three years (including the Year), the Group had no work-related fatalities. The number of lost days due to work injury during the Year was 84.5.

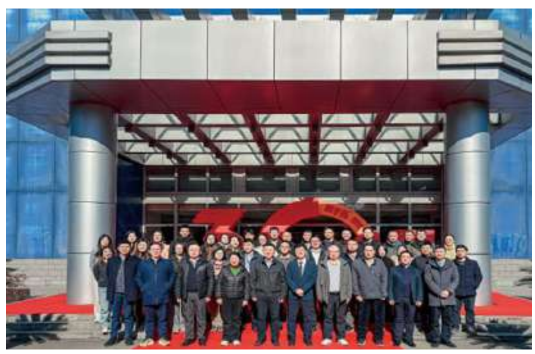
2.3 *Development and Training*

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 also organizes different business training programs on business knowledge, management skills, innovation trends and corporate culture by lectures and seminars on a regular basis. Below are the photos of the trainings and 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.

		FY2023/24	FY2022/23	FY2021/22
Percentage of employees trained by gender	Male	**100%**	100%	100%
	Female	**100%**	100%	100%
Average training hours completed per employee by gender (hours)	Male	**46**	48	46
	Female	**46**	48	46
Percentage of employees trained by employment type	Full time	**100%**	100%	100%
	Part time	**95%**	N/A	98%
Average training hours completed per employee by employment type (hours)	Full time	**55**	52	54
	Part time	**42**	N/A	46
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 (hours)	Senior management	**55**	55	48
	Middle management	**51**	52	46

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*

The Group keeps communication with a number of suppliers during the management and operation of its business. Suppliers' compliance with environmental and social standards forms an essential part of our commitment to sustainable procurement. 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. The Group manages suppliers' products through regular inspection by project managers to ensure continuous compliance of suppliers with the Group's requirements for environmental protection and the efficiency and compliance of supply chain processes. We also conduct on-site inspections of the production plants of suppliers engaged in manufacturing and trading business 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 311 suppliers, including 304 suppliers in China and 7 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, labeling 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 and trading 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 violations of the laws and regulations on products and services (including product and service quality, advertising, labeling, 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 material product-related complaints.

The Group upholds the value of protecting intellectual property rights as it is crucial for competitiveness and brand value. We have organized training and established internal controls to protect 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 periodic 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 on others' intellectual property rights. We only procure products from suppliers directly or through officially authorized distributors. The Group strictly complies with the relevant laws and regulations where its operations are based.

The Group has established quality control procedures for its products, 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 returned (recalled) 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 informed, and due consideration should be given to minimizing the amount of personal data collected. The personal data shall be processed in a safe 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 corrections 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 for 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 Management 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 includes 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 violating applicable laws, regulations, the above-mentioned system and any misconduct involving the Group. The whistle-blower may send e-mails 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 whether 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 (2023: 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 and trading 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. The Group also commenced hydrogen-fuel cell related business in the second half of 2023, which mainly provides hydrogen-related products and solutions to governments and customers in the field of IDC.

Details of the principal activities of the subsidiaries of the Company are set out in note 18 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 (the "**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 Act of the Cayman Islands, the Articles and any applicable laws and regulations. The Board will continually review the Dividend Policy and reserve the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time.

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 75 to 76 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 (2023: 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 15 to the Financial Statements.

Investment Properties

Details of the movements of investment properties of the Group during the Year are set out in note 17 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 31 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 30 to the Financial Statements.

Distributable Reserves

As at 31 December 2024, the reserve available for distribution to shareholders of the Company was nil.

Material Uncertainty Related to Going Concern

As described in note 2(b) to the consolidated financial statements, the Group might not have sufficient funds to fully repay the bank and other borrowings expiring within 12 months. As stated in note 2(b), those events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The auditors' opinion is not modified in respect of this matter.

Closure of Register of Members

The register of members will be closed from Wednesday, 25 June 2025 to Monday, 30 June 2025 (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 Tuesday, 24 June 2025.

Directors

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

Executive Director

Mr. Tong Fei *(Chairman)*

Independent non-executive Directors

Mr. Li Qingwen
Mr. Zhang Kaizhi
Ms. Luo Baiyun *(appointed on 23 August 2024)*
Mr. Huang Bo *(resigned on 16 August 2024)*

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

Mr. Tong Fei, Mr. Li Qingwen and Ms. Luo Baiyun 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 each of its independent non-executive Directors an annual confirmation or confirmation of independence. The Company considers that all of its independent non-executive Directors are independent.

Directors' Service Contracts

Mr. Tong Fei, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 1 July 2022, subject to retirement by rotation in accordance with the Articles.

Mr. Li Qingwen, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 12 January 2023, subject to retirement by rotation in accordance with the Articles.

Mr. Zhang Kaizhi, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 12 June 2023, subject to retirement by rotation in accordance with the Articles.

Ms. Luo Baiyun, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 23 August 2024, subject to retirement by rotation in accordance with the Articles.

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).

Changes in Information of Directors and Chief Executives of the Company

There is no change in the information of the Directors and Chief Executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the 2024 Interim Report.

Directors' Interests in Contracts

Save as disclosed in this annual report, 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 or at the end of the Year.

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 adopted a 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, having become effective on 25 June 2014 and remained in force for 10 years from that date, expired on 24 June 2024. 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 was limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit was 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, was 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, was 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.

***Share Option Scheme** (Continued)*

The total number of shares available for issue under the Scheme was 376,116,501, representing approximately 10% of the total issued share capital of the Company as at the date of approval of the Scheme. As at 31 December 2024 and/or as at the date of this annual report, no options granted by the Company under the Scheme remained outstanding; and the total number of shares available for issue/grant under the Scheme was nil (as at 1 January 2024: 363,076,327). No further option could be granted after the Scheme expired on 24 June 2024.

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 2024, to the best knowledge of the Directors and chief executive of the Company, save as disclosed below, 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 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.

Interests in associated corporations

Name of Director	Capacity/ Nature of Interest	Name of associated corporation	Amount of committed capital contribution *(RMB)*	Percentage in relation to total capital contribution *(Note 1)*
Tong Fei	Beneficial owner	New Focus Newtec (Shenzhen) Technology Co., Ltd.*	1,000,000	10.00%
	Beneficial owner	New Focus Technology (Shanghai) Co., Ltd.*	1,000,000	10.00%

Note:

1. The percentage represents the amount of capital contribution committed by the Director interested divided by the registered capital of RMB10,000,000 of each of the respective associated corporations as at 31 December 2024.

* 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

So far as is known to the Directors and chief executive of the Company, as at 31 December 2024, 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%
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%

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)*
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%
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%

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)*
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%

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)*
CDH IV Holdings Company Limited *(Note 4)*	Interest in a controlled corporation	1,614,776,043 (L)	9.38%
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%
Law Wei	Beneficial owner	1,199,608,000(L)	6.96%

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 2024 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.

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

Notes: *(Continued)*

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 shares of the Company under the SFO.

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

Save as disclosed above, as at 31 December 2024, 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 the 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 Placing Agreement which had lapsed in August 2024, 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

During the Year, the following connected transactions were carried out by the Group pursuant to Chapter 14A of the Listing Rules.

(i) Establishment of New Focus Newtec (Shenzhen)

On 4 September 2024, New Focus Holdings (Beijing) Co., Ltd.* (新焦點控股(北京)有限公司) ("**New Focus Holdings (Beijing)**") (a direct wholly-owned subsidiary of the Company), Mr. Tong Fei (the chairman of the Company and an executive Director) and Shenzhen Keshang established New Focus Newtec (Shenzhen) with a registered capital of RMB10 million, of which RMB4.5 million, RMB1.0 million and RMB4.5 million shall be contributed on or before 22 August 2029 by New Focus Holdings (Beijing), Mr. Tong Fei and Shenzhen Keshang, respectively. New Focus Newtec (Shenzhen) is an indirect 45%-owned subsidiary of the Company.

Shenzhen being a hub for technological innovation, with ample potential development and business opportunities for technology-based projects related to the automotive and electronics industries, it is in the Group's interests to establish a presence in the city to make use of such opportunities and maintain its competitiveness.

(ii) Establishment of New Focus Technology (Shanghai)

On 21 October 2024, New Focus Holdings (Beijing), New Focus Lighting & Power (Shanghai) (an indirect wholly-owned subsidiary of the Company), Mr. Tong Fei and Tianjin Yun Qi Tian Technology Co., Ltd.* (天津雲啟天科技有限公司) ("**Tianjin Yun Qi Tian**") established New Focus Technology (Shanghai), with a registered capital of RMB10 million, of which RMB4.4 million, RMB0.1 million, RMB1.0 million and RMB4.5 million shall be contributed on or before 30 June 2029 by New Focus Holdings (Beijing), New Focus Lighting & Power (Shanghai), Mr. Tong Fei and Tianjin Yun Qi Tian, respectively. New Focus Technology (Shanghai) is an indirect 45%-owned subsidiary of the Company.

The establishment of New Focus Technology (Shanghai) is for the purpose of creating a corporate platform for communications and negotiations with local authorities relating to the factory relocation matters due to the property expropriation as detailed in the announcement of the Company dated 13 May 2024.

Save for the slight delay in the disclosure of the establishment of New Focus Newtec (Shenzhen), the Company confirms that it has already re-complied and complied with the reporting and announcement requirements in accordance with the Listing Rules for the above transactions. The related parties transactions referred in note 33 to the financial statements in this annual report do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

* The English names are transliterations of their respective Chinese names.

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 2024 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

The sales to the Group's five largest customers accounted for 30.2% of the total revenue for the Year, while the sales to the Group's largest customer accounted for 8.7% of the total revenue for the Year.

The purchases from the Group's five largest suppliers accounted for 44.5% of the total purchases for the Year, while the purchases from the Group's largest supplier accounted for 35.9% 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, 31 March 2025

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 75 to 163, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material accounting policy information.

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 2024 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 the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(b) to the consolidated financial statements which indicates that the Group incurred a loss for the year of approximately RMB71,842,000 for the year ended 31 December 2024, and, as of the date, the Group's current liabilities exceeded its current assets by approximately RMB63,371,000. Further, the Group has short-term bank and other borrowings amounting to approximately RMB248,479,000. As at 31 December 2024, the Group had cash and cash equivalents amounting to approximately RMB89,358,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These indicates that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and other sources. As stated in Note 2(b), it indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the "material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the matter was addressed in our audit
Fair value measurement on financial assets Refer to Notes 20 and 23 to the consolidated financial statements. As at 31 December 2024, the Group held convertible bond and unlisted equity investments with carrying amounts of approximately RMB5,169,000 and RMB181,224,000, respectively. These financial instruments do not have a quoted market price in an active market (the "Unquoted Investments"). They were classified as financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss and measured at fair value. The valuation of the Unquoted Investments is complex and requires the application of significant judgment by the management.	Our procedures in relation to the fair value measurement of financial assets included but not limited to: • Enquiring the management and assessing the methodologies used in fair value measurement and the appropriateness of the key assumptions and parameters based on our knowledge of the investment and using our auditors' valuation experts; • Checking, on sample basis, the accuracy and relevance of the input data used; • Evaluating the independent external valuers' competence, capabilities and objectivity; and • Checking the arithmetical accuracy on the valuation model. We considered the management's fair value measurement on financial assets to be supportable by available evidence.

Key audit matters *(Continued)*

Key audit matters	How the matter was addressed in our audit
Allowance for expected credit losses on other receivables	
Refer to Notes 22(b) and 37(a) to the consolidated financial statements. As at 31 December 2024, the Group had the other receivables of approximately RMB750,349,000 before the loss allowance of approximately RMB395,933,000 has been made on other receivables. Loss allowances for expected credit losses from 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, debtors' repayment history, collaterals and financial position and the capability of repayment. We focused on this area due to the impairment assessment of other receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to the allowance for expected credit losses assessment on 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; • Testing on a sample basis, the completeness and accuracy of a selection of input data used in the expected credit loss model; and • Assessing the appropriateness of the expected credit loss provisioning methodology and challenging the assumptions, including both historical and forward-looking information. We found that the allowance for expected credit losses on other receivables to be supportable by available evidence.

Other Information

The directors are responsible for the other information. The other information comprises 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 those charged with governance 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.

Those charged with governance is responsible for overseeing the Group's financial reporting process.

Auditors' responsibility 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, solely to you, as a body, in accordance with our agreed term of engagement 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 auditor's 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 auditors' 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Auditors' responsibility for the audit of the consolidated financial statements *(Continued)*
We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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, 31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	*6*	**518,516**	555,377
Cost of sales and services		**(431,259)**	(459,809)
Gross profit		**87,257**	95,568
Other income	*7*	**8,175**	15,858
Other gains or losses, net	*8*	**10,772**	2,786
Allowance for expected credit losses on trade receivables and other receivables, net		**(30,689)**	(64,736)
Written down of inventories, net		**(2,008)**	(4,601)
Distribution costs		**(34,862)**	(37,709)
Administrative expenses		**(85,298)**	(65,621)
Share of results of associates		**(3,514)**	(1)
Finance costs	*9*	**(21,149)**	(25,213)
Loss before taxation	*10*	**(71,316)**	(83,669)
Income tax expense	*12*	**(526)**	(4,727)
Loss for the year		**(71,842)**	(88,396)
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1,348**	(4,442)
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		**(28,700)**	–
Other comprehensive loss for the year, net of tax		**(27,352)**	(4,442)
Total comprehensive loss for the year		**(99,194)**	(92,838)

	Notes	**2024** **RMB'000**	2023 RMB'000
Loss for the year attributable to			
– Equity shareholders of the Company		**(67,923)**	(87,320)
– Non-controlling interests		**(3,919)**	(1,076)
		(71,842)	(88,396)
Total comprehensive loss attributable to			
– Equity shareholders of the Company		**(95,275)**	(91,762)
– Non-controlling interests		**(3,919)**	(1,076)
		(99,194)	(92,838)
Loss per share:	*14*		
– Basic and diluted (RMB cents)		**(0.39)**	(0.51)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**249,558**	89,921
Right-of-use assets	*16*	**35,835**	35,738
Prepayment for property, plant and equipment	*22(b)*	**292,136**	437,000
Investment properties	*17*	**36,923**	36,962
Deferred tax assets	*28*	**13,034**	3,075
Interests in associates	*19*	**41,286**	14,999
Financial assets at fair value through profit or loss	*23*	**75,093**	12,697
Financial assets at fair value through other comprehensive income	*20*	**111,300**	140,000
		855,165	770,392
Current assets			
Inventories	*21*	**111,617**	87,952
Trade receivables	*22(a)*	**79,917**	105,419
Financial assets at fair value through profit or loss	*23*	**–**	60,304
Deposits, prepayments and other receivables	*22(b)*	**378,375**	377,095
Cash and cash equivalents	*24*	**89,358**	78,619
		659,267	709,389
Current liabilities			
Trade payables	*25(a)*	**231,132**	228,946
Accruals and other payables	*25(b)*	**200,965**	193,058
Contract liabilities	*25(c)*	**23,087**	25,066
Lease liabilities	*26*	**2,998**	3,398
Tax payable		**15,977**	4,077
Bank and other borrowings	*27*	**248,479**	225,634
		722,638	680,179
Net current (liabilities)/assets		**(63,371)**	29,210
Total assets less current liabilities		**791,794**	799,602

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	*26*	**3,300**	1,493
Deferred tax liabilities	*28*	**9,481**	9,487
Deferred income	*29*	**66,399**	–
Bank and other borrowings	*27*	**56,662**	78,476
		135,842	89,456
Net assets		**655,952**	710,146
Capital and reserves			
Share capital	*30*	**1,490,706**	1,490,706
Reserves	*31*	**(990,603)**	(895,328)
Total equity attributable to equity shareholders of the Company		**500,103**	595,378
Non-controlling interests		**155,849**	114,768
Total equity		**655,952**	710,146

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2025:

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 2024

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 *(Note 30)*	**Share premium** RMB'000 *(Note 31(i)(a))*	**Statutory reserve fund** RMB'000 *(Note 31(i)(b))*	**Enterprise expansion fund** RMB'000 *(Note 31(i)(c))*	**Capital redemption reserve** RMB'000 *(Note 31(i)(d))*	**Exchange reserve** RMB'000 *(Note 31(i)(e))*	**Others** RMB'000 *(Note 31(i)(f))*	**Accumulated losses** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2023	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
Loss for the year	–	–	–	–	–	–	–	(87,320)	(87,320)	(1,076)	(88,396)
Other comprehensive loss	–	–	–	–	–	(4,442)	–	–	(4,442)	–	(4,442)
Total comprehensive loss	–	–	–	–	–	(4,442)	–	(87,320)	(91,762)	(1,076)	(92,838)
Transfer to statutory reserves	–	–	1,286	–	–	–	–	(1,286)	–	–	–
Capital injection from non-controlling shareholder	–	–	–	–	–	–	–	–	–	100,000	100,000
At 31 December 2023 and 1 January 2024	**1,490,706**	**1,098,879**	**46,594**	**2,756**	**1,545**	**(14,581)**	**3,657**	**(2,034,178)**	**595,378**	**114,768**	**710,146**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(67,923)**	**(67,923)**	**(3,919)**	**(71,842)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**1,348**	**(28,700)**	**–**	**(27,352)**	**–**	**(27,352)**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**1,348**	**(28,700)**	**(67,923)**	**(95,275)**	**(3,919)**	**(99,194)**
Transfer to statutory reserves	**–**	**–**	**2,035**	**–**	**–**	**–**	**–**	**(2,035)**	**–**	**–**	**–**
Capital injection from non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**45,000**	**45,000**
At 31 December 2024	**1,490,706**	**1,098,879**	**48,629**	**2,756**	**1,545**	**(13,233)**	**(25,043)**	**(2,104,136)**	**500,103**	**155,849**	**655,952**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Operating activities			
Loss before taxation		**(71,316)**	(83,669)
Adjustments for:			
– Written down of inventories	*10*	**2,008**	4,601
– Depreciation of property, plant and equipment	*10,15*	**11,036**	8,487
– Depreciation of right-of-use assets	*10,16*	**4,557**	2,185
– Allowance for expected credit losses on trade receivables, deposits and other receivables	*10, 37(a)*	**30,689**	64,736
– Interest income	*7*	**(2,171)**	(9,284)
– Interest expenses	*9*	**21,149**	25,213
– Loss/(gain) on disposal of property, plant and equipment	*8*	**363**	(3,420)
– Fair value loss on investment properties	*8, 17*	**39**	2,013
– Fair value (gain)/loss on financial assets at fair value through profit or loss	*8*	**(7,335)**	123
– Share of results of associates	*19*	**3,514**	1
– Gain on deregistration of subsidiaries	*7*	**(3,744)**	–
– Loss on lease termination	*8*	**40**	–
Operating cash flows before working capital changes		**(11,171)**	10,986
(Increase)/decrease in inventories		**(25,673)**	28,460
Decrease/(increase) in trade receivables		**21,961**	(19,680)
(Increase)/decrease in deposits, prepayments and other receivables		**(3,255)**	628,250
Increase in trade payables		**3,707**	1,799
Increase/(decrease) in accruals and other payables		**8,136**	(3,393)
Decrease in contract liabilities		**(1,979)**	(226,174)
Increase in deferred income		**66,399**	–
Cash generated from operations		**58,125**	420,248
Income tax paid		**(1,539)**	(6,650)
Net cash generated from operating activities		**56,586**	413,598

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Investing activities		
Incorporation of an associate	**(9,800)**	(15,000)
Acquisition of an associate	**(30,000)**	–
Purchase of property, plant and equipment	**(15,398)**	(32,487)
Prepayment paid for property, plant and equipment	**(29,999)**	(437,000)
Purchase of financial assets at fair value through other comprehensive income	**–**	(140,000)
Proceeds from the withdrawal of investments in an associate	**10,000**	–
Purchase of financial assets at fair value through profit or loss	**(55,000)**	(72,667)
Proceeds from financial assets through profit or loss	**60,243**	–
Payment for right-of-use assets	**–**	(1,439)
Proceeds from disposal of property, plant and equipment	**–**	4,237
Interest received	**205**	9,284
Net cash used in investing activities	**(69,749)**	(685,072)
Financing activities		
Proceeds from bank and other borrowings	**324,042**	299,535
Capital injection from non-controlling interests	**45,000**	100,000
Repayment of bank and other borrowings	**(319,966)**	(301,522)
Repayment of lease liabilities	**(3,262)**	(3,531)
Interest paid	**(22,866)**	(15,827)
Net cash generated from financing activities	**22,948**	78,655
Net increase/(decrease) in cash and cash equivalents	**9,785**	(192,819)
Cash and cash equivalents at the beginning of the year	**78,619**	275,139
Effect of foreign exchange rate changes	**954**	(3,701)
Cash and cash equivalents at the end of the year	**89,358**	78,619

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, trading of automobile accessories and operating the 4S dealership stores and related business, and the research and development, sales and provision of integrated solutions for hydrogen fuel cell. 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 ("Daodu"), 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.

(b) Basis of preparation of the financial statements

As at 31 December 2024, the Group incurred a loss of approximately RMB71,842,000 for the year ended 31 December 2024, and, as of the date, the Group's current liabilities exceeded its current assets by approximately RMB63,371,000. Further, the Group has short-term bank and other borrowings of approximately RMB248,479,000. As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB89,358,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These indicate that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and other sources.

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

(i) Attainment of profitable and positive cash flow operations

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

(ii) Necessary facilities

The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

(iii) Acceleration of construction progress

The Group will actively accelerate the progress of the invested projects, focus on the construction of the invested production plant, expedite the development of production capacity, enhance production efficiency and optimize operational management, and improve the Group's operating cash flow.

The Director have reviewed the Group's cash flow prepared by management which cover a period of not less than twelve months from 31 December 2024. In the opinion of the Directors, the Group will have sufficient working capital for its current needs and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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 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")

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Amendments to IAS 1 Classification of Liabilities as current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the Amendments 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 adopted the following new and amendments to IFRSs that have been issued but are not yet effective.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment *(Continued)*

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.

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).

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment of other assets *(Continued)*

– Calculation of recoverable amount

The recoverable amount of property, plant and equipment, leasehold land and land use rights, 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).

– 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

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.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

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

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.

4. *MATERIAL ACCOUNTING POLICY INFORMATION* *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications *(Continued)*

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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies *(Continued)*

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.

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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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 selling the financial assets; 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 selling the financial assets; 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. *MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. *MATERIAL ACCOUNTING POLICY INFORMATION* *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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:

Allowance for ECL on other receivables

The loss allowances for 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.

The information about the ECL assessment is disclosed in Notes 22(b) and 37(a).

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 17.

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 2024, the carrying amount of the Group's investment properties is RMB36,923,000 (2023: RMB36,962,000).

Fair value measurement of financial instruments

As at 31 December 2024, certain of the Group's financial assets, investments in convertible bond and unlisted equity investments amounts of approximately RMB5,169,000 and RMB181,224,000 (2023: RMB12,697,000 and RMB140,000,000) respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 38 for further disclosures.

6. REVENUE AND SEGMENT INFORMATION

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

	2024 RMB'000	2023 RMB'000
Recognised at a point in time:		
Sales of goods	**502,071**	537,720
Services income	**16,445**	17,657
	518,516	555,377

All sales of goods and 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 make strategic decisions.

The Group operates in three reportable segments: (i) the manufacture and sale of automobile accessories (the "Manufacturing and Trading Business"); (ii) the operation of the 4S dealership stores and related business (the "Automobile Dealership and Services Business"); and (iii) the research and development, sales and provision of integrated solutions for hydrogen fuel cell (the "Hydrogen Fuel Cell Business").

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segment *(Continued)*

Set out below is an analysis of segment information:

	The Manufacturing and Trading Business		The Automobile Dealership and Services Business		The Hydrogen Fuel Cell Business		Total	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Segment revenue	**382,782**	412,043	**135,734**	143,334	**–**	–	**518,516**	555,377
Reportable segment results	**(18,198)**	28,423	**(19,477)**	(88,163)	**(10,938)**	(170)	**(48,613)**	(59,910)
Interest income	**1,679**	9,017	**4**	6	**10**	–	**1,693**	9,023
Unallocated interest income							**478**	261
Total interest income							**2,171**	9,284
Interest expenses	**(7,936)**	(9,928)	**(7,766)**	(10,729)	**(51)**	–	**(15,753)**	(20,657)
Unallocated interest expenses							**(5,396)**	(4,556)
Total interest expenses							**(21,149)**	(25,213)
Allowance for expected credit losses on trade receivables and other receivables, net	**(14,609)**	1,787	**(16,454)**	(68,361)	**(765)**	–	**(31,828)**	(66,574)
Unallocated allowance for expected credit losses on trade receivables and other receivables, net							**1,139**	1,838
							(30,689)	(64,736)
Depreciation and amortisation charges	**(10,204)**	(10,307)	**(121)**	(365)	**(6)**	–	**(10,331)**	(10,672)
Reportable segment assets	**321,164**	413,946	**344,900**	354,317	**630,174**	562,001	**1,296,238**	1,330,264
Additions to capital expenditure	**19,143**	38,962	**455**	590	**151,060**	–	**170,658**	39,552
Reportable segment liabilities	**226,963**	145,870	**287,822**	279,757	**240,252**	235,171	**755,037**	660,798

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Loss before taxation		
Reportable segment loss	**(48,613)**	(59,910)
Unallocated other income and gains or losses, net	**13,419**	153
Unallocated allowance for expected credit losses on trade receivables, deposits, and other receivable, net	**1,139**	1,838
Unallocated corporate expenses	**(31,865)**	(21,194)
Unallocated finance costs	**(5,396)**	(4,556)
Consolidated loss before taxation	**(71,316)**	(83,669)
Assets:		
Reportable segment assets	**1,296,238**	1,330,264
Unallocated corporate assets	**218,194**	149,517
Consolidated total assets	**1,514,432**	1,479,781
Liabilities:		
Reportable segment liabilities	**755,037**	660,798
Unallocated corporate liabilities	**103,443**	108,837
Consolidated total liabilities	**858,480**	769,635

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

- 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, partial right-of-use assets, partial financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income; and

- All liabilities are allocated to reportable segments, other than partial bank and other borrowings, partial trade payables, 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 and right-of-use assets ("specified non-current assets"):

	Revenue from external customers		Specified non-current assets	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (Place of domicile)	**221,890**	224,097	**322,316**	162,621
America	**248,411**	286,183	**–**	–
Europe	**11,657**	15,901	**–**	–
Asia Pacific	**36,558**	29,196	**–**	–
	518,516	555,377	**322,316**	162,621

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

(d) Major customers

No single customers contributed 10 per cent or more to the Group's revenue for both years.

7. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Mould sales	**347**	8
Sample income	**66**	807
Services income	**268**	3,148
Interest income	**2,171**	9,284
Gross rentals from investment properties	**1,502**	1,668
Gain on deregistration of subsidiaries	**3,744**	–
Others	**77**	943
	8,175	15,858

8. OTHER GAINS OR LOSSES, NET

	2024 RMB'000	2023 RMB'000
Exchange (loss)/gain, net	**(345)**	91
Fair value loss on investment properties	**(39)**	(2,013)
(Loss)/gain on disposal of property, plant and equipment	**(363)**	3,420
Government subsidies *(Note)*	**2,483**	1,834
Loss on lease termination	**(40)**	–
Fair value gain/(loss) on financial assets at fair value through profit of loss	**7,335**	(123)
Others	**1,741**	(423)
	10,772	2,786

Note: During the Year, the Group recognised RMB2,483,000 (2023: RMB1,834,000) as government subsidies for high and new technology on manufacturing of electronic and power related automotive parts.

9. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interests on bank and other borrowings	**20,958**	25,096
Interests on lease liabilities	**191**	117
	21,149	25,213

10. LOSS BEFORE TAXATION

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

	2024 RMB'000	2023 RMB'000
Cost of inventories	**431,259**	459,809
Depreciation of property, plant and equipment	**11,036**	8,487
Depreciation of right-of-use assets	**4,557**	2,185
Written down of inventories	**2,008**	4,601
Research and development expenses	**14,571**	11,390
Allowance for expected credit losses on trade receivables, and other receivables, net	**30,689**	64,736
Auditors' remuneration		
– audit services	**2,600**	2,600
– non-audit service	**–**	190
Gross rentals from investment properties	**(1,502)**	(1,668)
Less: Direct operating expenses incurred	**11**	10
	(1,491)	(1,658)
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**43,932**	36,333
Retirement scheme contributions	**5,683**	5,982
Other benefits	**3,172**	3,152
Total employee benefit expenses	**52,787**	45,467

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:

	2024				
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Total RMB'000
Executive director:					
Tong Fei (Chairman)	–	1,525	–	100	1,625
Independent non-executive directors:					
Li Qingwen *(Note (g))*	100	–	–	–	100
Zhang Kaizhi *(Note (h))*	100	–	–	–	100
Huang Bo *(Note (i))*	63	–	–	–	63
Luo Baiyun *(Note (j))*	36	–	–	–	36
	299	1,525	–	100	1,924

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

(a) Directors' remuneration *(Continued)*

	2023				
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Total RMB'000
Executive director:					
Tong Fei (Chairman)	–	1,476	–	71	1,547
Non-executive directors:					
Wang Zhenyu *(Note (a))*	–	–	–	–	–
Zhang Jianxing *(Note (b))*	–	–	–	–	–
Independent non-executive directors:					
Hu Yuming *(Note (e))*	20	–	–	–	20
Lin Lei *(Note (c))*	3	–	–	–	3
Zhang Xiaoya *(Note (d))*	3	–	–	–	3
Shi Jing *(Note (f))*	16	–	–	–	16
Li Qingwen *(Note (g))*	97	–	–	–	97
Zhang Kaizhi *(Note (h))*	56	–	–	–	56
Huang Bo *(Note (i))*	56	–	–	–	56
	251	1,476	–	71	1,798

Note:

a. Mr. Wang Zhenyu has resigned as a non-executive director on 12 January 2023.

b. Mr. Zhang Jianxing has resigned as a non-executive director on 12 January 2023.

c. Mr. Lin Lei has resigned as an independent non-executive director on 12 January 2023.

d. Mr. Zhang Xiaoya has resigned as an independent non-executive director on 12 January 2023.

e. Mr. Hu Yuming has resigned as an independent non-executive director on 14 March 2023.

f. Ms. Shi Jing was appointed as an independent non-executive director on 12 January 2023 and resigned on 14 March 2023.

g. Mr. Li Qingwen was appointed as an independent non-executive director on 12 January 2023.

h. Mr. Zhang Kaizhi was appointed as an independent non-executive director on 12 June 2023.

i. Mr. Huang Bo was appointed as an independent non-executive director on 12 June 2023 and resigned on 16 August 2024.

j. Ms. Luo Baiyun was appointed as an independent non-executive director on 23 August 2024.

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 2024 included one director (2023: one) whose emolument is reflected in the analysis presented in Note 11(a) above.

The emoluments paid or payment to the four (2023: four) highest paid employees who are not director of the Company are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries and other allowances	**4,084**	3,687
Retirement scheme contributions	**415**	377
Total	**4,499**	4,064

The emoluments of the four (2023: four) individuals with the highest emoluments who are not Directors are within the following bands:

	2024	2023
	RMB'000	RMB'000
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	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 (2023: Nil).

None of the above mentioned individuals has waived or agreed to waive any emolument paid by the Group during the year (2023: Nil).

12. INCOME TAX

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

	2024 RMB'000	2023 RMB'000
Current Tax		
Provision for the year	**10,900**	5,511
Over-provision in respect of prior year	**(409)**	(1,030)
	10,491	4,481
Deferred tax		
Origination and reversal of temporary differences, net	**(9,965)**	246
	526	4,727

(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 2024 and 2023. 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% (2023: 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% (2023: 15%) for three years from 12 November 2023.

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

	2024 RMB'000	2023 RMB'000
Loss before taxation	**(71,316)**	(83,669)
Tax calculated at applicable tax rate of 25% (2023: 25%)	**(17,829)**	(20,917)
Tax effect of non-deductible expenses	**14,993**	25,318
Tax effect of income not taxable for tax purpose	**(3,153)**	(2,157)
Effect of unrecognised tax losses	**5,930**	6,472
Effect of preferential tax treatments and tax exemptions	**(620)**	(4,277)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,614**	1,318
Over-provision in respect of prior year	**(409)**	(1,030)
Tax expense	**526**	4,727

13. DIVIDEND

The Board did not recommend any payment of a dividend for the year (2023: Nil).

14. LOSS PER SHARE

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

	2024 RMB'000	2023 RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(67,923)**	(87,320)

	2024 '000	2023 '000
Number of shares		
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	**17,216,948**	17,216,948

For the years ended 31 December 2024 and 2023, the computation of diluted loss per share were the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Buildings 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 2023	2,462	41,824	158	18,818	961	2,515	66,738
Additions	28,562	–	–	796	2,850	279	32,487
Disposals	–	–	–	(38)	(779)	–	(817)
Depreciation charge for the year	–	(3,467)	(158)	(3,421)	(827)	(614)	(8,487)
Net carrying amount as at 31 December 2023 and 1 January 2024	**31,024**	**38,357**	**–**	**16,155**	**2,205**	**2,180**	**89,921**
Additions	**144,409**	**13,449**	**–**	**3,546**	**1,129**	**8,917**	**171,450**
Disposals	**–**	**–**	**–**	**–**	**(394)**	**(383)**	**(777)**
Depreciation charge for the year	**–**	**(4,511)**	**–**	**(4,803)**	**(844)**	**(878)**	**(11,036)**
Transfers	**(28,819)**	**28,819**	**–**	**–**	**–**	**–**	**–**
Net carrying amount as at 31 December 2024	**146,614**	**76,114**	**–**	**14,898**	**2,096**	**9,836**	**249,558**
At 31 December 2023:							
Cost	31,024	92,751	10,431	148,374	12,426	49,226	344,232
Accumulated depreciation and impairment	–	(54,394)	(10,431)	(132,219)	(10,221)	(47,046)	(254,311)
Net carrying amount	31,024	38,357	–	16,155	2,205	2,180	89,921
At 31 December 2024:							
Cost	**146,614**	**135,019**	**–**	**150,264**	**12,544**	**39,050**	**483,491**
Accumulated depreciation and impairment	**–**	**(58,905)**	**–**	**(135,366)**	**(10,448)**	**(29,214)**	**(233,933)**
Net carrying amount	**146,614**	**76,114**	**–**	**14,898**	**2,096**	**9,836**	**249,558**

The Group's certain property, plant and equipment with aggregate net carrying amount of RMB40,879,000 (2023: RMB65,140,000) was pledged to secure the bank borrowing of the Group as detailed in Note 27.

16. RIGHT-OF-USE ASSETS

	Leasehold land and land use rights RMB'000	Leased properties RMB'000	Total RMB'000
Cost			
At 1 January 2023	39,057	9,549	48,606
Additions	–	7,094	7,094
Lease termination	–	(9,549)	(9,549)
At 31 December 2023 and 1 January 2024	**39,057**	**7,094**	**46,151**
Additions	**–**	**7,650**	**7,650**
Lease termination	**–**	**(4,495)**	**(4,495)**
At 31 December 2024	**39,057**	**10,249**	**49,306**
Accumulated depreciation and impairment			
At 1 January 2023	8,228	9,549	17,777
Lease termination	–	(9,549)	(9,549)
Charge provided for the year	864	1,321	2,185
At 31 December 2023 and 1 January 2024	**9,092**	**1,321**	**10,413**
Lease termination	**–**	**(1,499)**	**(1,499)**
Charge provided for the year	**864**	**3,693**	**4,557**
At 31 December 2024	**9,956**	**3,515**	**13,471**
Net carrying amount			
At 31 December 2024	**29,101**	**6,734**	**35,835**
At 31 December 2023	29,965	5,773	35,738

The Group's leasehold land of RMB28,219,000 (2023: RMB29,747,000) was pledged to secure the bank borrowings of the Group as detailed in Note 27.

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

17. INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
At 1 January	**36,962**	38,975
Change in fair value *(Note 8)*	**(39)**	(2,013)
At 31 December	**36,923**	36,962

All investment properties of the Group are located outside Hong Kong, of which investment properties of RMB22,380,000 (2023: RMB22,290,000) and RMB14,543,000 (2023: RMB14,672,000) are held under long and medium terms, respectively.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

As at 31 December 2024, the fair value of investment properties 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.

All investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 27.

17. 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
Industrial building	Level 3	Income approach	22,380 (2023: 22,290)	(i) 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 RMB31.6 (2023: RMB32.2) per sqm per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
				(ii) Reversionary yield of 5.5% (2023: 6.0%)	Assuming that the market value stand, the increase in the reversionary yield would result in a decrease in fair value.
Commercial building	Level 3	Income approach	14,543 (2023: 14,672)	(i) 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 RMB136.2 (2023: RMB136.8) per sqm per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
				(ii) Reversionary yield of 4.5% (2023: 5.0%)	Assuming that the market value stand, the increase in the reversionary yield would result in a decrease in fair value.

18. *INTERESTS IN SUBSIDIARIES*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 April 2001	Wholly-owned foreign enterprise	US$88,000,000 Registered capital	US$69,074,856	100%	Manufacture of mechanical and electrical equipment; sales of automobile accessories and non-ferrous metal alloys/ The PRC
New Focus Holdings (Beijing) Limited	The PRC 13 October 2023	Wholly-owned foreign enterprise	US$100,000,000 Registered capital	US$0	100%	Investment holding/ The PRC
Interests indirectly held:						
New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("New Focus Lighting & Power (Shanghai)")	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$67,800,000 Registered capital	US$67,800,000	100%	Manufacture and sales of automobile accessories/ The PRC
Shandong New Focus Longsheng Auto Parts Co. Ltd. ("Longsheng")	The PRC 26 April 2006	Limited liability company	US$4,012,700 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	RMB39,860,000 Registered capital	RMB39,860,000	100%	Investment holdings/ 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
New Focus Technology (Beijing) Co., Ltd.	The PRC 6 April 2021	Wholly-owned foreign enterprise	RMB10,000,000 Registered capital	RMB0	100%	Investment holding/ The PRC

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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
Jinyi (Mianyang) Hydrogen Energy Technology Co., Ltd. ("Jinyi")	The PRC 26 September 2023	Limited liability company	RMB150,000,000	RMB110,000,000	77.35% *(Note (i))*	Comprehensive hydrogen energy solutions and commercialized operations/ The PRC
Mianyang New Hydrogen New Energy Technology Partnership (Limited Partnership) ("Mianyang New Hydrogen")	The PRC 27 September 2023	Limited partnership	RMB291,000,000	RMB291,000,000	50.17% *(Note (ii))*	Investment holding/ The PRC

Notes:

(i) During the year, the non-controlling interests of Jinyi injected RMB39,000,000 of share capital reducing its controlling interest from 93.70% to 77.35%.

(ii) During the year, the non-controlling interests of Mianyang New Hydrogen injected RMB45,000,000 of share capital reducing its controlling interest from 59.35% to 50.17%.

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.

18. *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 subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of voting power held by non-controlling interests		Proportion of ownership interests held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2024	2023	**2024**	2023	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Mianyang New Hydrogen *(Note)*	The PRC	**49.83%**	49.83%	**49.83%**	40.65%	**(2,934)**	(25)	**142,040**	99,974
Individually immaterial subsidiaries with non-controlling interests						**(985)**	(1,051)	**13,809**	14,794
						(3,919)	(1,076)	**155,849**	114,768

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

Mianyang New Hydrogen

	2024 RMB'000	2023 RMB'000
NCI percentage	**49.83%**	40.65%
Current assets	**235,440**	235,000
Non-current assets	**50,000**	11,000
Current liabilities	**(390)**	(62)
Net assets	**285,050**	245,938
Carrying amount of NCI	**142,040**	99,974
Revenue	**–**	–
Loss for the year	**(5,888)**	(62)
Total comprehensive loss	**(5,888)**	(62)
Loss attributable to NCI	**(2,934)**	(25)
Cash flows used in operating activities	**(6,000)**	–
Cash flows used in investing activities	**(39,000)**	(246,000)
Cash flows generated from financing activities	**45,000**	246,000

19. *INTERESTS IN ASSOCIATES*

	2024 RMB'000	2023 RMB'000
Cost of investment in associates	**44,800**	15,000
Share of post-acquisition result	**(3,514)**	(1)
	41,286	14,999

Details of associates at the end of reporting period is as follows:

Name of entity	Country of incorporation and principal place of business	Proportion of ownership interests held by the Group		Proportion of voting right held by the Group		Principal activity
		2024	2023	**2024**	2023	
Wenzhou Ouchu Technology Co., Ltd ("Wenzhou Ouchu")	The PRC	**52.84%**	–	**32.79%**	–	Information transmission, software and information technology service industry
Xintuo Guanghe (Beijing) Energy Technology Co., Ltd	The PRC	**100%**	–	**49%**	–	Scientific research and technical services industry

Note:

All the Wenzhou Ouchu shares were pledged to secure the financial lease of Wenzhou Ouchu.

The proportion of voting power was determined based on agreed percentage of capital contribution stipulated in the agreement. The proportion of ownership interests was determined based on paid-up capital as at 31 December 2024.

Summarised financial information of associates

Associates are accounted for using the equity method in these consolidated financial statements.

19. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of associates *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the Wenzhou Ouchu recognised in the consolidated financial statements:

Wenzhou Ouchu

	2024 RMB'000
Current assets	11,877
Non-current assets	249,083
Current liabilities	(49,728)
Non-current liabilities	(169,882)
Net assets	41,350
Revenue	16,100
Loss for the year	(6,500)
Total comprehensive loss	(6,500)

Reconciliation of the above summarised financial information to the carrying amount of the Wenzhou Ouchu recognised in the consolidated financial statements:

	2024 RMB'000
Net assets of Wenzhou Ouchu	41,350
Less: NCI	(19,500)
The Group's share of net assets of Wenzhou Ouchu	21,849
Proportion of the Group's ownership interest in Wenzhou Ouchu	52.84%
Goodwill	4,637
Carrying amount of the Group's interest in Wenzhou Ouchu	26,486

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Unlisted equity investments	**111,300**	140,000

The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC. The Directors have elected to designate these investments in equity instruments as at financial assets at fair value through other comprehensive income ("FVTOCI") as the Group's strategy of holding these investments is for long-term purposes and realising their performance potential in the long run.

The unlisted equity investments above are the Group's investment in Tianjin Hongzhuo Enterprise Management Center (Limited Partnership) ("Tianjin Hongzhuo"), a limited partnership incorporated in PRC, with a carrying amount of approximately RMB111,300,000 (2023: RMB140,000,000). The investment represents approximately 48% holding of paid up capital of Tianjin Hongzhuo. Tianjin Hongzhuo is not regarded as an associate of the Group because the Group only act as investor and share the return but does not involve in the operation.

21. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**32,682**	33,057
Work-in-progress	**19,064**	17,828
Finished goods	**22,250**	18,418
Merchandise goods	**37,621**	18,649
	111,617	87,952

The Group's certain inventories with aggregate net carrying amount of RMB20,688,000 (2023: RMB10,536,000) was pledged to secure the bank borrowings of the Group as detailed in Note 27.

22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	**98,571**	119,892
Less: allowance for ECL	**(18,654)**	(14,473)
	79,917	105,419

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

The ageing analysis of trade receivables, net of allowance for ECL presented based on invoice date is as follows:

	2024 RMB'000	2023 RMB'000
Current to 30 days	**60,069**	49,070
31 to 60 days	**13,518**	27,135
61 to 90 days	**3,176**	13,705
Over 90 days	**3,154**	15,509
	79,917	105,419

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

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

(b) Deposits, prepayments and other receivables

	2024 **RMB'000**	2023 RMB'000
Loan receivables *(Note (i))*	**3,625**	30,174
Deposits	**15,016**	1,294
Prepayments	**23,959**	23,963
Prepayment for property, plant and equipment *(Note (ii))*	**292,136**	437,000
Value-added tax recoverable	**29,504**	5,281
Rebate receivables from suppliers *(Note (iii))*	**25,165**	25,165
Others *(Note (iv))*	**677,039**	692,262
	1,066,444	1,215,139
Less: allowance for ECL	**(395,933)**	(401,044)
	670,511	814,095
Analysed as		
Current	**378,375**	377,095
Non-current	**292,136**	437,000
	670,511	814,095

Notes:

(i) On 15 December 2022, the Group (as lender) and JingHang DaYun (Beijing) Technology Co., Ltd. ("JingHang DaYun") (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 for a term of three months from the date of the loan agreement at an interest rate of 5% per annum and unsecured, the Group and JingHang DaYun 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 on 31 December 2022. As of 31 December 2024, the Company had recovered the entire principal amount of such loan.

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

(b) Deposits, prepayments and other receivables *(Continued)*

Notes: (Continued)

(ii) As at 31 December 2024, the Group prepaid approximately RMB84,500,000 (2023: RMB230,000,000) in relation to purchase of fuel cell systemic integration production line and approximately RMB207,636,000 (2023: RMB207,000,000) in relation to self-constructed industrial park.

(iii) For automobile dealership and services business, the car vendors offered a rebate if the purchase target by the Company had been completed.

(iv) As at 31 December 2024, the other receivables mainly represent the gross amount due from former related parties of approximately RMB560,815,000 (2023: RMB561,509,000) which were pledged by the equity shares and creditor's right to which the fair value of those collateral pledged were approximately RMB262,319,000 (2023: RMB268,169,000) and the allowance for ECL of approximately RMB298,496,000 (2023: RMB293,340,000) has been made.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **RMB'000**	2023 RMB'000
Listed securities held for trading:		
– Equity securities listed on Shenzhen stock exchange	**–**	304
Wealth management product	**–**	60,000
Convertible bonds	**5,169**	12,697
Unlisted equity investments designated at fair value through profit or loss *(Note)*	**69,924**	–
	75,093	73,001
Analysed as:		
Current	**–**	60,304
Non-current	**75,093**	12,697
	75,093	73,001

Convertible bonds are classified as non-current as the management expects to realize these financial asset after twelve months from the end of reporting period.

Note:

For the year ended 31 December 2024, the Group's investment in an unlisted equity investment refers to the Group's investment in Shihezi Yike Equity Investment Partnership (Limited Partnership) ("Shihezi"), a limited partnership incorporated in PRC, with carrying amount of approximately RMB69,924,000. The investment represents approximately 29.03% holding of paid up capital of Shihezi. Shihezi is not regarded as an associate of the Group because the Group only acts as investor and shares the return but is not involved in its operation.

24. 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 RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2024	304,110	4,891	309,001
Changes from financing cash flows:			
Proceeds from loans and borrowings	324,042	–	324,042
Repayment of borrowings	(319,966)	–	(319,966)
Interest paid	(22,866)	–	(22,866)
Repayment of lease liabilities	–	(3,262)	(3,262)
Total changes from financing cash flows	(18,790)	(3,262)	(22,052)
Exchange adjustments	(4,139)	–	(4,139)
Other non-cash changes:			
Interest expense	20,958	191	21,149
Interest payable	3,002	–	3,002
Addition of lease liabilities	–	7,434	7,434
Termination of lease liabilities	–	(2,956)	(2,956)
Total other changes	23,960	4,669	28,629
Balance at 31 December 2024	305,141	6,298	311,439

24. 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 2023	306,149	2,650	308,799
Changes from financing cash flows:			
Proceeds from loans and borrowings	299,535	–	299,535
Repayment of borrowings	(301,522)	–	(301,522)
Interest paid	(15,827)	–	(15,827)
Repayment of lease liabilities	–	(3,531)	(3,531)
Total changes from financing cash flows	(17,814)	(3,531)	(21,345)
Exchange adjustments	(52)	–	(52)
Other non-cash changes:			
Interest expense	25,096	117	25,213
Interest payable	(9,269)	–	(9,269)
Addition of lease liabilities	–	5,655	5,655
Total other changes	15,827	5,772	21,599
Balance at 31 December 2024	304,110	4,891	309,001

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

(a) Trade payables

The ageing analysis of trade payables presented based on invoice date is as follows:

	2024	2023
	RMB'000	RMB'000
Current to 30 days	**73,343**	73,604
31 to 60 days	**17,977**	15,645
61 to 90 days	**13,052**	20,164
Over 90 days	**126,760**	119,533
	231,132	228,946

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

Note: As at 31 December 2024, the trade payables of approximately RMB25,659,000 (2023: RMB38,585,000) were related to former related parties.

(b) Accruals and other payables

	2024	2023
	RMB'000	RMB'000
Amounts due to former related parties *(Note (i))*	**47,048**	35,313
Payroll payable	**13,863**	11,814
Other tax payable	**10,592**	11,241
Deposit received for 4S dealership business	**11,220**	11,198
Interest payable	**51,823**	55,576
Others	**66,419**	67,916
	200,965	193,058

Note:

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

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

(c) Contract liabilities

	2024 RMB'000	2023 RMB'000
The automobile dealership and service business	**3,688**	2,569
The manufacturing and trading business	**19,399**	22,497
	23,087	25,066

Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year was approximately RMB14,845,000 (2023: RMB242,450,000). 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 2023, 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.

Movement in contract liabilities:

	2024 RMB'000	2023 RMB'000
At 1 January	**25,066**	251,240
Consideration received	**29,015**	26,070
Revenue recognised in respect of contract liabilities at the beginning of the year	**(14,845)**	(242,450)
Revenue recognised in respect of contract liabilities received during the year	**(16,149)**	(9,794)
At 31 December	**23,087**	25,066

26. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payables:		
– Within one year	**2,998**	3,398
– More than one year but not more than two years	**1,333**	1,493
– More than two years but not more than five years	**1,967**	–
	6,298	4,891
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,998)**	(3,398)
Amount due for settlement after 12 months show under non-current liabilities	**3,300**	1,493

The weighted average incremental borrowing rates applied to lease liabilities are 4.32% (2023: 4.29%).

27. BANK AND OTHER BORROWINGS

	2024 RMB'000	2023 RMB'000
Secured:		
Bank loans	**177,181**	177,671
Other borrowings	**53,648**	50,831
	230,829	228,502
Unsecured:		
Bank loans	**5,612**	5,612
Other borrowings	**68,700**	69,996
	74,312	75,608
Total bank and other borrowings	**305,141**	304,110
Bank borrowings are repayable as follows:		
On demand or within one year	**248,479**	225,634
More than one year but not exceeding two years	**56,662**	9,980
More than two years but not exceeding five years	**–**	68,496
	305,141	304,110
Amounts due within one year shown under current liabilities	**(248,479)**	(225,634)
Amounts shown under non-current liabilities	**56,662**	78,476

Notes:

(i) As at 31 December 2024, the banking facilities are secured by (i) the Group's certain property, plant and equipment with an aggregate net carrying amount of RMB40,879,000 (2023: RMB65,140,000); (ii) the Group's certain right-of-use asset of RMB28,219,000 (2023: RMB29,747,000); (iii) the Group's certain investment properties of RMB36,923,000 (2023: RMB36,962,000); (iv) the Group's certain inventory of RMB20,688,000 (2023: RMB10,536,000); 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 2024, the principal of approximately RMB48,223,000 (2023: RMB48,223,000) are secured by the pledge of the properties and land, repayable on demand and bear fixed interest rates of 9.135% (2023: 9.135%) per annum.

(iii) As at 31 December 2024, the Group has two (2023: two) defaulted bank borrowings of approximately RMB5,612,000 (2023: RMB5,612,000).

27. BANK AND OTHER BORROWINGS *(Continued)*

As at 31 December 2024, 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 3.45% to 9.15% (2023: 6.16% to 9.15%).

All of the bank and other borrowings bear fixed interest rates ranging from 3.45% to 15.40% per annum (2023: 3.10% to 15.40%).

	2024	2023
	RMB'000	RMB'000
Bank and other borrowings of the Group were denominated in		
RMB	**236,441**	248,659
HKD	**68,700**	55,451
	305,141	304,110

28. DEFERRED TAX

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

Deferred tax assets

	Accrued expenses RMB'000	**Lease liabilities** RMB'000	**Allowances and provisions** RMB'000	**Total** RMB'000
At 1 January 2023	2,644	–	979	3,623
Recognised in profit of loss *(Note 12)*	–	1,222	(548)	674
At 31 December 2023 and 1 January 2024	2,644	1,222	431	4,297
Recognised in profit of loss *(Note 12)*	–	1,574	9,959	11,533
At 31 December 2024	**2,644**	**2,796**	**10,390**	**15,830**

At the end of the reporting period, the Group has unused tax losses of approximately RMB298,488,000 (2023: RMB342,311,000) 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:

	2024 **RMB'000**	2023 RMB'000
Year of expiry of PRC entities		
2024	**–**	67,542
2025	**139,405**	139,405
2026	**79,395**	79,396
2027	**30,080**	30,080
2028	**25,888**	25,888
2029	**23,720**	–
	298,488	342,311

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value gain on Investment properties RMB'000	Total RMB'000
At 1 January 2023	–	(9,789)	(9,789)
Recognised in profit or loss *(Note 12)*	(1,222)	302	(920)
At 31 December 2023 and 1 January 2024	(1,222)	(9,487)	(10,709)
Recognised in profit or loss *(Note 12)*	(1,574)	6	(1,568)
At 31 December 2024	**(2,796)**	**(9,481)**	**(12,277)**

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.

29. DEFERRED INCOME

In November 2024, New Focus Lighting and Power Technology (Shanghai) Co., Ltd.* (紐福克斯光電科技（上海）有限公司) ("New Focus Lighting & Power (Shanghai)"), a wholly-owned subsidiary of the Company, entered into a land expropriation compensation agreement with Qingpu Industrial Park Development (Group) Ltd.* (上海青浦工業園區發展（集團）有限公司) ("Qingpu Industrial Park Group"), a government-owned entity. This agreement pertains to the expropriation of certain non-residential properties.

During the year, New Focus Lighting & Power (Shanghai) received approximately RMB66,399,000 as part of the government grant included in the compensation agreement. The overall compensation amounts to approximately RMB368,881,000. The receipt of compensation is based on its relocation progress, along with severance payments for its employees, which will be confirmed in accordance with the relevant governmental policies. New Focus Lighting & Power (Shanghai) shall receive compensation in full within 30 working days after it has completed the relevant procedures for the change or cancellation of water, electricity, coal, gas, telecommunications and other necessary procedures, and vacates the properties for the handover procedure, in addition to providing the original ownership certificates for the properties. The expected completion for the handover is by the end of December 2026, with potential extensions allowed under specific conditions.

30. SHARE CAPITAL

	2024		2023	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised				
Ordinary shares of HK$0.1 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000

	2024			2023		
	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	**17,216,948**	**1,721,695**	**1,490,706**	17,216,948	1,721,695	1,490,706
At the end of the year	**17,216,948**	**1,721,695**	**1,490,706**	17,216,948	1,721,695	1,490,706

31. 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.

31. 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.

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 2023	1,098,879	84,242	13,970	308	(2,045,195)	(847,796)
Total comprehensive loss for the year	–	–	(5,463)	–	(15,117)	(20,580)
At 31 December 2023 and 1 January 2024	1,098,879	84,242	8,507	308	(2,060,312)	(868,376)
Total comprehensive income/(loss) for the year	–	–	2,286	–	(18,789)	(16,503)
At 31 December 2024	**1,098,879**	**84,242**	**10,793**	**308**	**(2,079,101)**	**(884,879)**

32. COMMITMENTS

(a) Operating lease arrangements

As leasor

As at 31 December 2024 and 2023, the Group leased 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:

	2024 **RMB'000**	2023 RMB'000
Within one year	**2,906**	397
In the second year	**2,306**	–
In the third year	**1,706**	–
In the fourth year	**1,706**	–
In the fifth year	**1,706**	–
After five years	**7,963**	–
	18,293	397

(b) Capital Commitments

	2024 **RMB'000**	2023 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	**161,899**	169,154

33. RELATED PARTIES TRANSACTIONS

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 director and non-executive directors as disclosed in Note 11(a), is as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries and other allowances	**4,035**	3,998
Retirement scheme contributions	**248**	78
	4,283	4,076

(ii) Related party transaction

Relationship	Nature	Note	**2024** **RMB'000**	2023 RMB'000
Immediate Holding company	Interest on other loans	(a)	–	921

Note:

(a) In February 2023, the Company and Daodu, entered into a loan agreement. The principal amount of the unsecured loan was USD3,200,000 for a term of one year with an interest rate of 6% per annum. In June 2023, the Company received an unsecured and interest-free loan of USD170,000 from Daodu.

During the year ended 31 December 2023, the loan from Daodu was fully settled.

During the year, the Company received unsecured, interest-free loans of RMB13,000,000 and RMB4,800,000 from Shenzhen Daodu Industrial Limited Company and Qingdao Guorui Chunxi Industrial Limited Company, respectively. The loans were fully repaid during the year ended 31 December 2024.

(b) In May 2023, the Company received an unsecured and interest-free loan of HK$150,000 from an executive director, Mr. Tong Fei. The loan was fully repaid in July 2023.

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 2024 and 2023, 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 2024 and 2023, 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 2024, no options had been granted by the Company under the Scheme remained outstanding (2023: Nil) and no shares were available for issue under the Scheme (2023: Nil). No further option could be granted after the scheme expired on 24 June 2024.

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 27; (ii) cash and cash equivalents as disclosed in Note 24; (iii) equity attributable to equity shareholders of the Company, comprising share capital disclosed in Note 30 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:

	2024 **RMB'000**	2023 RMB'000
Debts	**305,141**	304,110
Cash and cash equivalents	**(89,358)**	(78,619)
Net debt position	**215,783**	225,491
Equity attributable to equity shareholders of the Company	**500,103**	595,378
Net debt to equity ratio	**43.15%**	37.9%

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include equity and debt investments, bank and other borrowings, trade and other receivables, amounts due from related parties, 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 the end of the year, the top three debtors and the largest debtor accounted for approximately 19.19% and 7.30% (2023: 22.69% and 7.87%) 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.

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

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

(a) Credit risk *(Continued)*

Trade receivables

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired were assessed individually.

	2024		
	Average loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (Not yet past due)	**–**	**49,537**	**–**
1–180 days past due	**–**	**29,241**	**–**
181–365 days past due	**5.32**	**789**	**42**
Over 1 year	**91.55**	**4,637**	**4,245**
Individual assessment	**100**	**14,367**	**14,367**
		98,571	**18,654**

	2023		
	Average loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (Not yet past due)	0.001	94,663	1
1–180 days past due	2.27	3,343	76
181–365 days past due	0.05	6,543	3
Over 1 year	7.32	1,025	75
Individual assessment	100	14,318	14,318
		119,892	14,473

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

(a) Credit risk *(Continued)*

Other financial assets

The Group's internal credit risk grading assessment of other financial assets comprises the following categories:

Internal credit rating	Description	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	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
Loss	There is evidence indicating the asset is 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

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

(a) Credit risk *(Continued)*

Other financial assets *(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 2024

	Credit rating	12-month or lifetime ECL	Loss rate %	Gross carrying amount RMB'000	Allowance for ECL RMB'000
Other financial assets (including other receivables) *(Note 22(b))*	**Low risk**	**12-month ECL (not credit-impaired)**	**2.9**	**73,226**	**(2,092)**
	Doubtful	**Lifetime ECL (not credit-impaired)**	**30.9**	**83,052**	**(25,734)**
	Loss	**Credit-impaired**	**62.0**	**594,071**	**(368,107)**
				750,349	**(395,933)**

As at 31 December 2023

	Credit rating	12-month or lifetime ECL	Loss rate %	Gross carrying amount RMB'000	Allowance for ECL RMB'000
Other financial assets (including other receivables) *(Note 22(b))*	Low risk	12-month ECL (not credit-impaired)	2.9	112,646	(3,328)
	Doubtful	Lifetime ECL (not credit-impaired)	11.4	25,004	(2,850)
	Loss	Credit-impaired	64.0	616,526	(394,866)
				754,176	(401,044)

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

(a) Credit risk *(Continued)*

The following table shows the movement in ECL that has been recognised.

	Trade receivables RMB'000	Other financial assets RMB'000
At 1 January 2023	14,596	336,185
Allowance for ECL recognised in profit or loss during the year, net	(123)	64,859
At 31 December 2023 and 1 January 2024	14,473	401,044
Write-offs	–	(31,619)
Allowance for ECL recognised in profit or loss during the year, net	4,181	26,508
At 31 December 2024	**18,654**	**395,933**

As at 31 December 2024 the Group assessed the ECL for other financial assets of approximately RMB395,933,000 (2023: RMB401,044,000) which mostly 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 POLICES *(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
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2024						
Bank and other borrowings	**6.94**	**305,141**	**317,763**	**256,442**	**61,321**	**–**
Trade payables	**–**	**231,132**	**231,132**	**231,132**	**–**	**–**
Other payables	**–**	**190,373**	**190,373**	**190,373**	**–**	**–**
Lease liabilities	**4.32**	**6,298**	**6,346**	**2,847**	**1,457**	**2,042**
Total		**732,944**	**745,614**	**680,794**	**62,778**	**2,042**
2023						
Bank and other borrowings	7.00	304,110	324,762	234,814	10,699	79,249
Trade payables	–	228,946	228,946	228,946	–	–
Other payables	–	181,817	181,817	181,817	–	–
Lease liabilities	4.29	4,891	5,101	3,544	1,557	–
Total		719,764	740,626	649,121	12,256	79,249

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(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. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

(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.

	2024		2023	
	US$'000	**HK$'000**	US$'000	HK$'000
Trade and other receivables	**10,910**	**–**	9,857	–
Trade and other payables	**(1,712)**	**(5,032)**	(2,868)	(1,350)
Cash and cash equivalents	**3,364**	**3,115**	2,925	225
Bank and other borrowings	**–**	**(74,191)**	–	(61,191)
Overall net exposure	**12,562**	**(76,108)**	9,914	(62,316)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(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.

	2024		2023	
	Increase in foreign exchange rate	**Effect on loss for the year and accumulated losses RMB'000**	Increase in foreign exchange rate	Effect on loss for the year and accumulated losses RMB'000
US$	**5%**	**(3,386)**	5%	(2,630)
HK$	**5%**	**2,643**	5%	2,112

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 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 2024 and 2023 were approximate to their fair values.

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.

Level 3: Fair value measured using significant unobservable inputs.

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	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024				
Financial assets at FVTOCI	–	–	111,300	111,300
Financial assets at FVTPL	–	–	75,093	75,093
As at 31 December 2023				
Financial assets at FVTOCI	–	–	140,000	140,000
Financial assets at FVTPL	60,304	–	12,697	73,001

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

Fair value hierarchy *(Continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI RMB'000	**Financial assets at FVTPL** RMB'000
At 1 January 2023	–	–
Addition	140,000	12,667
Net unrealised gain recognised in profit or loss during the year	–	30
At 1 December 2023 and 1 January 2024	140,000	12,697
Addition	–	55,000
Net unrealised gain recognised in profit or loss during the year	–	7,396
Net unrealised loss recognised in other comprehensive income	(28,700)	–
At 31 December 2024	111,300	75,093

	Fair value 2024 RMB'000	Fair value 2023 RMB'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**
Financial assets					
Financial assets at FVTOCI					
Unlisted equity investments	111,300	140,000	Level 3	Income approach and asset approach (2023: Trending analysis and assets approach)	Discount rate of 16.3% and net asset value (2023: Market movement -1.14%)
Financial assets at FVTPL					
Other financial assets at FVTPL	–	60,304	Level 1	Quoted bid prices in an active market	N/A
Convertible bonds	5,169	12,697	Level 3	Discount cashflow (2023: Market approach and Binomial Lattice Model)	Discount rate of 25.1% (2023: EV/EBIT ratio 14.54 x Discount rate 6.24% Volatility 54.87%)
Unlisted equity investments	69,924	–	Level 3	Asset approach and recent transaction	Net asset value

There were no transfer between level 1, 2 and 3 during the years ended 31 December 2024 and 2023.

39. CONTINGENT LIABILITIES

The contingent liabilities of the Group were approximately RMB12,178,000 (2023: RMB12,178,000) for the year, which was attributable to the lawsuit field by a third party against a subsidiary of the Company. For details, please refer to Note 42.

40. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2024 RMB'000	2023 RMB'000
Non-current asset			
Interest in subsidiaries		**696,714**	716,569
		696,714	716,569
Current assets			
Deposits, prepayments and other receivables		**1,299**	1,738
Cash and cash equivalents		**2,271**	1,277
		3,570	3,015
Current liabilities			
Accruals and other payables		**25,757**	28,758
Bank and other borrowings		**12,038**	–
		37,795	28,758
Net current liabilities		**(34,225)**	(25,743)
Total assets less current liabilities		**662,489**	690,826
Non-current liability			
Bank and other borrowings		**56,662**	68,496
		56,662	68,496
Net assets		**605,827**	622,330
Capital and reserves			
Share capital	*30*	**1,490,706**	1,490,706
Reserves	*31(ii)*	**(884,879)**	(868,376)
Total equity		**605,827**	622,330

41. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation.

42. LAWSUITS

Ningbo Jiche against Inner Mongolia Chuangying

As stated in the Company's announcement dated 5 June 2023, Inner Mongolia Chuangying was served with a summons as one of the defendants and was required to attend a court hearing on 28 June 2023 in a lawsuit filed by Ningbo Jiche Trading Co., Ltd. ("Ningbo Jiche") as the plaintiff. Ningbo Jiche alleged that Inner Mongolia Chuangying breached a sales contract (the "Sales Contract") between them by not paying the outstanding amount of RMB8,506,800 in accordance with the Sales Contract. The claims of Ningbo Jiche against Inner Mongolia Chuangying are as follows:

(1) request before the court for a ruling that Inner Mongolia Chuangying shall pay the outstanding amount of RMB8,506,800 and compensate Ningbo Jiche for losses due to the overdue payment (calculated based on RMB8,506,800, multiplied by 1.5 times of the one-year loan prime rate (LPR) published by the National Interbank Funding Center authorized by the People's Bank of China commencing from 9 October 2019 until the actual payment date). The calculated loss was RMB2,160,106.9 as of 14 April 2023;

(2) request before the court for a ruling that Inner Mongolia Chuangying shall pay RMB1,010,680 as liquidated damages;

(3) request before the court for a ruling that Inner Mongolia Chuangying shall compensate Ningbo Jiche the legal fees of RMB500,000; and

(4) request before the court for a ruling that Inner Mongolia Chuangying shall bear the litigation costs and the preservation fees.

The above-mentioned case has been ordered by Hohhot Huimin District People's Court to be transferred to the Beijing Dongcheng District People's Court for trial. The trial time has not yet been fixed, so there is no substantive progress with the case. Owing to the ongoing litigation and the uncertainty regarding the implementation and execution of the post-trial rulings, the principal amount of contingent liabilities that may be caused to the Group as a result of these litigation matters is approximately RMB12,178,000. Please refer to the announcement of the Company dated 5 June 2023 for further details of the lawsuits.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2025.

FINANCIAL SUMMARY

For the year ended 31 December 2024

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

	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**518,516**	553,377	591,671	728,142	911,727
Loss before taxation					
– from continuing operations	**(71,316)**	(83,669)	(43,899)	(86,770)	(451,376)
– from discontinued operations	**–**	–	–	13,779	–
Income tax	**(526)**	(4,727)	(3,898)	(15,960)	(22,282)
Loss for the year	**(71,842)**	(88,396)	(47,797)	(88,951)	(473,658)
Attributable to:					
Equity shareholders of the Company	**(67,923)**	(87,320)	(48,503)	(84,795)	(466,748)
Non-controlling interests	**(3,919)**	(1,076)	706	(4,156)	(6,910)
	(71,842)	(88,396)	(47,797)	(88,951)	(473,658)

ASSETS AND LIABILITIES

	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,514,432**	1,479,781	1,693,440	1,042,509	1,291,232
Total liabilities	**(858,480)**	(769,635)	(990,456)	(848,048)	(1,018,377)
Net assets	**655,952**	710,146	702,984	194,461	272,855