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NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of New Focus Auto Tech Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year**") together with the comparative figures for the year ended 31 December 2022 ("**2022**") as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023 (Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Revenue	*4*	**555,377**	591,671
Cost of sales and services		**(459,809)**	(490,324)
Gross profit		**95,568**	101,347
Other income	*5*	**15,858**	7,255
Other gains or losses, net	*6*	**2,786**	8,350
Allowance for expected credit losses on trade receivables and other receivables, net		**(64,736)**	(21,002)
Written down of inventories, net		**(4,601)**	(10,330)
Distribution costs		**(37,709)**	(42,023)
Administrative expenses		**(65,621)**	(56,990)
Share of results of an associate		**(1)**	–
Finance costs	*7*	**(25,213)**	(30,506)
Loss before taxation	*8*	**(83,669)**	(43,899)
Income tax expense	*9*	**(4,727)**	(3,898)
Loss for the year		**(88,396)**	(47,797)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(4,442)**	4,764
Other comprehensive (loss)/income for the year, net of tax		**(4,442)**	4,764
Total comprehensive loss for the year		**(92,838)**	(43,033)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2023 (Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
(Loss)/profit for the year attributable to			
– Equity shareholders of the Company		**(87,320)**	(48,503)
– Non-controlling interests		**(1,076)**	706
		(88,396)	(47,797)
Total comprehensive (loss)/income attributable to			
– Equity shareholders of the Company		**(91,762)**	(43,739)
– Non-controlling interests		**(1,076)**	706
		(92,838)	(43,033)
Loss per share:	*11*		
– Basic and diluted (RMB cents)		**(0.51)**	(0.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in Renminbi)

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**89,921**	66,738
Right-of-use assets		**35,738**	30,829
Prepayment for property, plant and equipment		**437,000**	–
Investment properties		**36,962**	38,975
Deferred tax assets		**3,075**	3,623
Interests in an associate		**14,999**	–
Financial assets at fair value through profit or loss		**12,697**	–
Financial assets at fair value through other comprehensive income		**140,000**	–
		770,392	140,165
Current assets			
Inventories		**87,952**	121,013
Trade receivables	*12*	**105,419**	86,455
Financial assets at fair value through profit or loss		**60,304**	457
Deposits, prepayments and other receivables		**377,095**	1,070,211
Cash and cash equivalents		**78,619**	275,139
		709,389	1,553,275
Current liabilities			
Trade payables	*13*	**228,946**	227,147
Accruals and other payables		**193,058**	187,235
Contract liabilities		**25,066**	251,240
Lease liabilities		**3,398**	2,494
Tax payable		**4,077**	6,246
Bank and other borrowings		**225,634**	269,149
		680,179	943,511
Net current assets		**29,210**	609,764
Total assets less current liabilities		**799,602**	749,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2023 (Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities		**1,493**	156
Deferred tax liabilities		**9,487**	9,789
Bank and other borrowings		**78,476**	37,000
		89,456	46,945
Net assets		**710,146**	702,984
Capital and reserves			
Share capital	*14*	**1,490,706**	1,490,706
Reserves		**(895,328)**	(803,566)
Total equity attributable to equity shareholders of the Company		**595,378**	687,140
Non-controlling interests		**114,768**	15,844
Total equity		**710,146**	702,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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, a company incorporated in Hong Kong with limited liability as the direct 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 financial statements

As at 31 December 2023, the Group incurred a loss for the year of RMB88,396,000 and the Group has short-term bank and other borrowings amounting to RMB225,634,000. As at 31 December 2023, the Group had cash and cash equivalents amounting to RMB78,619,000 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.

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.

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. 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.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

In the current year, the Group has applied the following new and amendments to IFRS issued by IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

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 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

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 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

4. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
	RMB'000	*RMB'000*
Recognised at a point in time:		
Sales of goods	**537,720**	573,096
Services income	**17,657**	18,575
	555,377	591,671

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

(a) Reportable segment

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

During the years, the Group commenced the business in research and development, sales and provision of integrated solution for hydrogen fuel cell (the "**Hydrogen Fuel Cell Business**") by incorporating new subsidiaries, and it is considered as a new operating and reportable segment.

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.

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	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**412,043**	450,389	**143,334**	141,282	**–**	–	**555,377**	591,671
Reportable segment results	**28,423**	13,802	**(88,163)**	(15,533)	**(170)**	–	**(59,910)**	(1,731)
Interest income	**9,017**	389	**6**	14	**–**	–	**9,023**	403
Unallocated interest income							**261**	19
Total interest income							**9,284**	422
Interest expenses	**(9,928)**	(9,796)	**(10,729)**	(6,421)	**–**	–	**(20,657)**	(16,217)
Unallocated interest expenses							**(4,556)**	(14,289)
Total interest expenses							**(25,213)**	(30,506)
Allowance for expected credit losses on trade receivables and other receivables, net	**1,787**	(716)	**(68,361)**	(2,951)	**–**	–	**(66,574)**	(3,667)
Unallocated allowance for expected credit losses on trade receivables and other receivables, net							**1,838**	(17,335)
							(64,736)	(21,002)
Depreciation and amortisation charges	**(10,307)**	(10,520)	**(365)**	(345)	**–**	–	**(10,672)**	(10,865)
Reportable segment assets	**413,946**	1,139,122	**354,317**	463,502	**562,001**	–	**1,330,264**	1,602,624
Additions to capital expenditure	**38,962**	27,092	**590**	949	**–**	–	**39,552**	28,041
Reportable segment liabilities	**145,870**	605,445	**279,757**	300,808	**235,171**	–	**660,798**	906,253

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

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

	2023	2022
	RMB'000	*RMB'000*
Loss before taxation		
Reportable segment loss	**(59,910)**	(1,731)
Unallocated other income and gains or losses, net	**153**	474
Unallocated allowance for expected credit losses on trade receivables, deposits, and other receivable, net	**1,838**	(17,335)
Unallocated corporate expenses	**(21,194)**	(11,018)
Unallocated finance costs	**(4,556)**	(14,289)
Consolidated loss before taxation	**(83,669)**	(43,899)
Assets:		
Reportable segment assets	**1,330,264**	1,602,624
Unallocated corporate assets	**149,517**	90,816
Consolidated total assets	**1,479,781**	1,693,440
Liabilities:		
Reportable segment liabilities	**660,798**	906,253
Unallocated corporate liabilities	**108,837**	84,203
Consolidated total liabilities	**769,635**	990,456

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

- All expenses are allocated to reportable segments, other than partial administrative expenses and partial other operating expenses;
- All assets are allocated to reportable segments, other than partial deposit, prepayment and other receivables, partial cash and bank balance, partial property, plant and equipment, 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 accruals and other payables and partial lease liabilities.

(c) **Geographical information**

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

	Revenue from external customers		**Specified non-current assets**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (Place of domicile)	**224,097**	216,285	**162,621**	136,542
America	**286,183**	322,220	**–**	–
Europe	**15,901**	18,212	**–**	–
Asia Pacific	**29,196**	34,954	**–**	–
	555,377	591,671	**162,621**	136,542

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

(d) **Major customers**

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

	2023	2022
	RMB'000	*RMB'000*
Customer A	**–**	71,346

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

Except as disclosed above, no other customers contributed 10% or more of the Group's total revenue during the Year (2022: Nil).

5. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Mould sales	**8**	3,232
Sample income	**807**	1,070
Services income	**3,148**	–
Interest income	**9,284**	422
Gross rentals from investment properties	**1,668**	1,666
Others	**943**	865
	15,858	7,255

6. OTHER GAINS OR LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Exchange gain, net	**91**	9,703
Fair value loss on investment properties	**(2,013)**	(1,335)
Gain/(loss) on disposal of property, plant and equipment	**3,420**	(1,108)
Government subsidies *(Note)*	**1,834**	1,999
Fair value loss on financial assets at fair value through profit of loss	**(123)**	(123)
Loss on deregistration of a subsidiary	**–**	(1,554)
Others	**(423)**	768
	2,786	8,350

Note: During the Year, the Group recognised RMB1,834,000 (2022: RMB1,999,000) as government subsidies for high and new technology on manufacturing of electronic and power related automotive parts.

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interests on bank and other borrowings	**25,096**	30,323
Interests on lease liabilities	**117**	183
	25,213	30,506

8. LOSS BEFORE TAXATION

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories*	**459,809**	490,324
Depreciation of property, plant and equipment	**8,487**	9,751
Depreciation of right-of-use assets	**2,185**	1,114
Written down of inventories	**4,601**	10,330
Research and development expenses	**11,390**	12,618
Allowance for expected credit losses ("**ECL**") on trade receivables, and other receivables, net	**64,736**	21,002
Auditors' remuneration		
– audit services	**2,600**	2,500
Gross rentals from investment properties	**(1,668)**	(1,666)
Less: Direct operating expenses incurred	**10**	4
	(1,658)	(1,662)
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**36,333**	39,527
Retirement scheme contributions	**5,982**	6,387
Other benefits	**3,152**	2,220
Total employee benefit expenses	**45,467**	48,134

* Costs of inventories include RMB57,274,000 (2022: RMB62,841,000) relating to employee benefit expenses and depreciation, which are also included in the respective total amounts disclosed separately above.

9. INCOME TAX

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

	2023	2022
	RMB'000	*RMB'000*
Current Tax		
Provision for the year	**6,004**	5,202
Over-provision in respect of prior year	**(1,030)**	(1,332)
	4,974	3,870
Deferred tax		
Origination and reversal of temporary differences, net	**(247)**	28
	4,727	3,898

(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 2023 and 2022. 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% (2022: 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% (2022: 15%) for three years from 12 November 2020.

10. DIVIDEND

The Board did not recommend the payment of a dividend for the year ended 31 December 2023 (2022: Nil).

11. 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:

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share loss	**(87,320)**	(48,503)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	**17,216,948**	7,082,547

For the years ended 31 December 2023 and 2022, 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.

12. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**119,892**	101,051
Less: allowance for ECL	**(14,473)**	(14,596)
	105,419	86,455

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

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

	2023	2022
	RMB'000	*RMB'000*
Current to 30 days	**49,070**	61,185
31 to 60 days	**27,135**	10,494
61 to 90 days	**13,705**	13,487
Over 90 days	**15,509**	1,289
	105,419	86,455

13. TRADE PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Current to 30 days	**73,604**	102,511
31 to 60 days	**15,645**	16,076
61 to 90 days	**20,164**	8,735
Over 90 days	**119,533**	99,825
	228,946	227,147

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

14. SHARE CAPITAL

	2023		2022	
	Number of shares	**Amount**	Number of shares	Amount
	’000	***HK$’000***	*’000*	*HK$’000*
Authorised				
Ordinary shares of HK$0.1 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000

	2023			2022		
	Number of shares	**Amount**	**Amount**	Number of shares	Amount	Amount
	’000	***HK$’000***	***RMB’000***	*’000*	*HK$’000*	*RMB’000*
Issued and fully paid:						
At the beginning of the year	**17,216,948**	**1,721,695**	**1,490,706**	6,767,636	676,764	556,286
Issue of shares *(Note)*	**–**	**–**	**–**	10,449,312	1,044,931	934,420
At the end of the year	**17,216,948**	**1,721,695**	**1,490,706**	17,216,948	1,721,695	1,490,706

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

OVERVIEW

During the Year, the Group focused on the research and development ("**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 the Year, which mainly provides hydrogen-related products and solutions to governments and customers in the field of the Internet Data Center ("**IDC**"). Such business has not yet generated any revenue for the Year as the construction of the relevant plants and production lines has commenced but has not yet been completed.

RESULTS HIGHLIGHTS

Revenue

During the Year, the consolidated revenue of the Group was approximately RMB555,377,000 (2022: RMB591,671,000), representing a decrease of approximately 6.13%.

The consolidated revenue from the manufacturing and trading business of the Group during the Year was approximately RMB412,043,000 (2022: RMB450,389,000), representing a decrease of approximately 8.51%, which was mainly attributable to the decline in export sales revenue resulting from the impact of Sino-US tariff policy on the foreign trade customers of the manufacturing business during the Year.

The consolidated revenue from the Group's automobile dealership and services business during the Year amounted to approximately RMB143,334,000 (2022: RMB141,282,000), representing an increase of approximately 1.45%. Such increase was mainly attributable to an increase in the revenue of some of the Group's automobile dealership and services outlets after the end of COVID-19 pandemic prevention and control policies.

Gross profit and gross profit margin

The consolidated gross profit of the Group for the Year was approximately RMB95,568,000 (2022: RMB101,347,000), representing a decrease of approximately 5.70%. The gross profit margin increased from 17.13% to 17.21%. The decrease in gross profit was mainly attributable to the decrease in consolidated revenue for the Year as compared with 2022. The increase in gross profit margin was primarily attributable to the higher average exchange rate of the United States Dollar (USD) against the Renminbi (RMB) during the Year as compared with 2022.

During the Year, the gross profit of the Group's manufacturing business was approximately RMB88,009,000 (2022: RMB90,662,000), representing a decrease of approximately 2.93%. The gross profit margin increased from approximately 20.13% to approximately 21.36%. The decrease in gross profit was mainly attributable to the decrease in consolidated revenue for the Year as compared with 2022. The increase in gross profit margin was primarily attributable to the higher average exchange rate of USD against RMB during the Year as compared with 2022, leading to an increase in gross profit margin of foreign trade revenue denominated in USD.

During the Year, the gross profit of the Group's automobile dealership and services business was approximately RMB7,559,000 (2022: RMB10,685,000), representing a decrease of approximately 29.26%. The gross profit margin decreased from approximately 7.56% to approximately 5.27%. The decrease in gross profit and gross profit margin was primarily due to the decrease in the proportion of revenue from business with higher gross profit margin during the Year.

Other income and gains and losses

Other revenue for the Year was approximately RMB15,858,000 (2022: RMB7,255,000). The increase was mainly attributable to an interest income of approximately RMB5,315,000 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**") and receipt of revenue for management and consultation fees of approximately RMB2,728,000 from the provision of supply chain management services to upstream and downstream enterprises for the Year, while no such revenue was recorded in 2022.

Other gains, net for the Year was approximately RMB2,786,000 (2022: RMB8,350,000). The decrease in other gains was mainly attributable to the decrease in exchange gain recorded by the Company as compared with 2022 due to smaller exchange rates appreciation of the USD and Hong Kong Dollar (HKD) against the RMB for the Year as compared with 2022.

Expenses

Net allowance for expected credit losses on trade receivables and other receivables for the Year was approximately RMB64,736,000 (2022: RMB21,002,000). The increase in impairment loss was mainly due to the provision for expected credit losses of approximately RMB58,700,000 for the Year as a result of a decrease in the fair value of the collaterals for the amount due from former related parties, which were pledged by the equity shares and the creditor's right, under other receivables of the Group. As two independent third parties (namely, Fujian Nanping Dafeng Electric Co., Ltd. (福建南平大豐電器有限公司) (formerly known as Ningbo Yafeng Electric Co., Ltd.* (寧波亞豐電器有限公司) ("**Fujian Nanping**") and Beijing Aiyihang Auto Service Ltd. (北京愛義行汽車服務有限責任公司) ("**Beijing**

Aiyihang")) failed to repay the arrears as scheduled, the Group made a provision for expected credit losses of RMB18,000,000 in respect of these two other receivables in 2022, and no such loss was recorded for the Year. For the reasons for, and other details of, the aforementioned receivables due from Fujian Nanping and Beijing Aiyihang and their impairment, please refer to the section headed "Impairment of Other Receivables" in the 2022 annual report and the section headed "Collection of Receivables" in this announcement.

The distribution costs for the Year were approximately RMB37,709,000 (2022: RMB42,023,000), representing a decrease of approximately 10.27%, which was mainly attributable to the decrease in wages and bonuses for sales personnel, depreciation and amortisation charges, market charges and other expenses as a result of the adjustment to the business structure and operating scale of the automobile dealership and services business during the Year.

The administrative expenses for the Year were approximately RMB65,621,000 (2022: RMB56,990,000), representing an increase of approximately 15.14%, which was mainly due to the expansion in the scale of the Group's manufacturing and trading business during the Year, which resulted in an increase in the wages of the relevant managerial staff and other administrative expenses. In addition, there was an increase in legal service fees paid during the Year.

The finance costs for the Year amounted to approximately RMB25,213,000 (2022: RMB30,506,000), representing a decrease of approximately 17.35%, which was mainly attributable to the decrease in the average monthly borrowing amount and weighted average borrowing rate of bank and other borrowings for the Year as compared with 2022.

Loss before taxation

The loss before taxation of the Group for the Year was approximately RMB83,669,000 (2022: RMB43,899,000). The increase in loss was mainly due to the allowance for differences in expected credit losses on trade receivables and other receivables for the Year increased by approximately RMB43,734,000 as compared with 2022.

Taxation

The income tax expenses for the Year were approximately RMB4,727,000 (2022: RMB3,898,000).

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Year was approximately RMB87,320,000 (2022: RMB48,503,000). The increase in loss was mainly due to an increase in the allowance for expected credit losses on trade receivables and other receivables. The loss per share for the Year was approximately RMB0.51 cents (2022: RMB0.68 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.

Non-current assets were approximately RMB770,392,000 as at 31 December 2023 (31 December 2022: RMB140,165,000).

Net current assets were approximately RMB29,210,000 as at 31 December 2023 (31 December 2022: RMB609,764,000) with a current ratio of 1.04 (31 December 2022: 1.65).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 52.01% as at 31 December 2023 (31 December 2022: 58.49%).

As at 31 December 2023, the total bank and other borrowings of the Group were approximately RMB304,110,000 (31 December 2022: RMB306,149,000), of which approximately 18.23% were made in HKD and approximately 81.77% were made in RMB. All of the borrowings are subject to fixed interest rates, of which approximately RMB235,614,000 shall be repayable within one year, and approximately RMB68,496,000 shall be repayable after two years but within five years.

The Group's need for borrowings was generally stable during the Year. As at 31 December 2023, the committed borrowing facilities available to but not utilised by the Group amounted to approximately RMB35,960,000.

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, Jinghang Dayun assigned Baotou Shuo Zheng Trading Co., Ltd.* (包頭市碩正商貿有限公司) ("**Baotou Shuozheng**") and Shanghai Yaran Equity Investment Management

Co., Ltd.* (上海亞冉股權投資管理有限公司) ("**Shanghai Yaran**") to repay the loans of RMB150,000,000 and RMB30,000,000, respectively, on behalf of it, with a total repayment of loans of RMB180,000,000 (the "**Repaid Loans**"). New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into an extension agreement ("**Extension Agreement**") to extend the maturity date of the remaining loan (i.e. RMB25,005,000) to one year from the date of the Extension Agreement.

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

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

COLLECTION OF RECEIVABLES

Recovery of Lifeng Dingsheng Receivables

The deposits, prepayments and other receivables (the "**Receivables**") mainly included an aggregate amount of approximately RMB561,509,000 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), together with its subsidiaries ("**Lifeng Dingsheng Receivables**") as of 31 December 2023. The management of the Group will continue to monitor the repayment status of Lifeng Dingsheng, and will also liquidate 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 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 had not repaid on time. In the end, on 28 July 2023, the Company entered into a settlement agreement with Fujian Nanping, pursuant to which, Fujian Nanping had repaid an amount of RMB1,500,000 to the Company in December 2023 and is expected to repay the remaining principal amount of the loan of RMB1,500,000 to the Company by 30 June 2024 as scheduled.

Recovery of Beijing Aiyihang Receivable

On 22 November 2019, New Focus Lighting and Power Technology (Shanghai) Co., Ltd.* (紐福克斯光電科技(上海)有限公司) ("**New Focus Lighting & Power (Shanghai)**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement in relation to the disposal of a non-wholly owned subsidiary, Beijing Aiyihang. According to the equity transfer agreement, if the audited net assets and net profit of Beijing Aiyihang meet certain conditions within 36 months from the date of signing the agreement, Beijing Aiyihang should repay the arrears in the sum of RMB50,000,000 to the Group, otherwise it should repay the arrears in the sum of RMB35,000,000. New Focus Lighting & Power (Shanghai) initiated arbitration proceedings against Beijing Aiyihang at the end of 2022, demanding Beijing Aiyihang to repay the remaining arrears of RMB15,000,000 due in November 2022. The tribunal has already sat in 2023, but no ruling has been made as of the date of this announcement.

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 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 2023, the total assets of the Group were approximately RMB1,479,781,000 (31 December 2022: RMB1,693,440,000), which included: (1) share capital of approximately RMB1,490,706,000 (31 December 2022: approximately RMB1,490,706,000); (2) reserves of approximately RMB(780,560,000) (31 December 2022: approximately RMB(787,722,000)); and (3) liabilities of approximately RMB769,635,000 (31 December 2022: RMB990,456,000).

FINANCIAL GUARANTEES AND PLEDGE OF ASSETS

As at 31 December 2023, the net book values of inventory, investment properties, property, plant and equipment, and right-of-use assets pledged as security for the Group's bank and other borrowings totaled approximately RMB142,385,000 (31 December 2022: RMB127,581,000).

ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS

Establishment of 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 Technology (Beijing) Co., Ltd.* (紐福克斯科技（北京）有限公司) ("**New Focus (Beijing)**"), an indirect wholly-owned subsidiary of the Company, entered into a partnership agreement ("**Partnership Agreement**") with Tianjin Yun Qi Tian Technology Co., Ltd* (天津雲啟天科技有限公司) ("**Tianjin Yun Qi Tian**"), Yanshi Hongyuan 11 (Pingtan) Investment Partnership (Limited Partnership)* (焰石鴻源11號（平潭）投資合夥企業（有限合夥）) ("**Yanshi Hongyuan**") and Beijing Xifu Technology Co., Ltd.* (北京嘻福科技有限公司) ("**Beijing Xifu**") for the establishment of Tianjin Hongzhuo. According to the Partnership Agreement, the total amount of capital commitments made by each of the partners to Tianjin Hongzhuo is RMB290,200,000, of which Tianjin Yun Qi Tian (as general partner) and Yanshi Hongyuan (as general partner and executive partner) will each contribute RMB100,000, while New Focus (Beijing) and Beijing Xifu (as limited partners) will contribute RMB140,000,000 and RMB150,000,000, respectively.

On 3 July 2023, Tianjin Hongzhuo entered into an investment agreement for the investment in a project in the upstream area of the carbon fiber new material industry among the 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 a capital contribution of RMB140,000,000, and after the completion of the capital contribution, Tianjin Hongzhuo will hold a 49.30% equity interest thereof. The business of the project mainly includes the planning, design, construction, operation and maintenance of industrial high-pressure steam pipeline projects required for the production of key state-owned enterprises 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. Since August 2023, the project company has commenced the planning and construction of the pipeline works, and it is expected that the completion will take place in May 2024, after which the gas pipeline will be put into operation and ventilated and start to charge pipeline rental fees on a continuous and stable basis. Given that the project is still under its construction stage, investment income and operating results have not yet been recorded during the Year.

As of the date of this announcement, New Focus (Beijing) and Beijing Xifu have completed the capital contribution of RMB140,000,000 and RMB150,000,000 to Tianjin Hongzhuo, respectively. Please refer to the announcements of the Company dated 2 July 2023 and 19 July 2023 for further details of the establishment of Tianjin Hongzhuo.

Establishment of Jinyi (Mianyang) Hydrogen Energy Technology Co., Ltd.* (錦宜(綿陽)氫能科技有限公司) ("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")

On 26 September 2023, New Focus (Beijing) jointly established Jinyi with Botong Mingda (Tianjin) Hydrogen Energy Technology Co., Ltd.* (博通明達(天津)氫能科技有限公司) ("**Botong**") and Shanghai Refire Energy Technology Co., Ltd.* (上海重塑能源科技有限公司) ("**Shanghai Refire**"), with a registered capital of RMB100,000,000, of which RMB60,000,000 will be contributed by New Focus (Beijing). Jinyi is principally engaged in comprehensive hydrogen energy solutions and commercialized operations.

On 25 September 2023, New Focus (Beijing) and Newtec Lighting and Power Technology Co., Ltd.* (紐泰克光電科技有限公司) ("**Newtec**") (a direct wholly-owned subsidiary of the Company) entered into a partnership agreement (the "**Partnership Agreement**") with Mianyang Science and Technology City New District Xintou Industrial Development Co., Ltd.* (綿陽科技城新區新投產業發展有限責任公司) ("**Mianyang Xintou**") for the establishment of Mianyang New Hydrogen. According to the Partnership Agreement, the total amount of capital commitments made by each of the partners to Mianyang New Hydrogen is RMB291,000,000, of which New Focus (Beijing) (as limited partner) and Newtec (as general partner) will contribute RMB145,000,000 and RMB1,000,000, respectively, while Mianyang Xintou (as limited partner) will contribute RMB145,000,000. Mianyang New Hydrogen is an indirect 50.17%-owned subsidiary of the Company.

On 6 October 2023, Mianyang New Hydrogen entered into an investment agreement with Jinyi to contribute RMB50,000,000 in the registered capital of Jinyi, and a convertible loan agreement with Jinyi for the provision of a convertible loan of up to RMB235,000,000 to Jinyi for a term of 8 years at an interest rate of 6% per annum. The Group is thus directly (40%) and indirectly (through Mianyang New Hydrogen, approximately 33.33%) interested in an aggregate of approximately 73.33% equity interest in Jinyi.

On 25 December 2023, Newtec, New Focus (Beijing), Mianyang Xintou and Mianyang Kejicheng Chuangye Fund Partnership (Limited Partnership)* (綿陽科技城創業投資基金合夥企業(有限合夥)) ("**Mianyang Kejicheng**") entered into an agreement supplemental to the Partnership Agreement (the "**Supplemental Agreement**"), pursuant to which, Mianyang Xintou was replaced by its 99.01%-owned subsidiary, Mianyang Kejicheng as the limited partner to Mianyang New Hydrogen.

As of the date of this announcement, Mianyang New Hydrogen has completed the capital contribution of RMB50,000,000 to Jinyi, Mianyang Kejicheng has completed the capital contribution of RMB145,000,000 to Mianyang New Hydrogen, and Mianyang New Hydrogen has provided the convertible loan in the amount of RMB235,000,000 to Jinyi.

Please refer to the announcements of the Company dated 25 September 2023, 6 October 2023 and 28 December 2023 for further details of the establishment of Jinyi and Mianyang New Hydrogen.

Purchase of fuel cell systemic integration production line

On 6 October 2023, Jinyi (as purchaser) purchased a fuel cell systemic integration 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 from Zheda Tongbo (Tianjin) Technology Co., Ltd.* (哲達通博(天津)科技有限公司) (as vendor) at an aggregate consideration of RMB298 million (tax inclusive) (the "**Purchase Agreement**") to set up the fuel cell systemic integration production lines for its business operations.

Jinyi has paid the first instalment of RMB230,000,000 under the Purchase Agreement, comprising (i) RMB150,000,000, being 95% of the payment for equipment and fixtures; (ii) RMB31,000,000, being 44% of the payment for the installation, debugging and training; and (iii) RMB49,000,000, being 70% of the payment for the software platform. As of the date of this announcement, the matching of the master engineering plan, site plan, equipment production lines and plans for the production lines have been completed. The workshop construction and custom manufacturing of the on-site production lines and the installation of the on-site production lines will be completed by 30 June 2024 and 30 July 2024, respectively. It is expected that the overall inspection and acceptance of the fuel cell systemic integration production line will be completed by 31 August 2024 due to certain delays in all stages of validation and commissioning compared to the original scheduled delivery time. For more details of the purchase of production line, please refer to the announcement of the Company dated 6 October 2023.

Self-Constructed Industrial Park of the Group

As disclosed in the circular dated 29 July 2021, the Group proposed to build Qingdao Laixi Automotive Electronics Industrial Park in Laixi City, Qingdao City, Shandong Province, the PRC, which was intended to be developed into a production plant of the Group for the manufacturing of electric components of new energy vehicles.

On 6 October 2023, New Focus Lighting & Power (Qingdao) entered into a construction agreement with Shandong Vion Project Management Co., Ltd.* (山東威奧項目管理有限公司) (the "**Contractor**"), pursuant to which the Contractor will be responsible for the construction work of the Industrial Park, including the new production plant for the manufacturing of electric components of new energy vehicles, and other supporting facilities, at the consideration of RMB290,212,000. As of 31 December 2023, New Focus Lighting & Power (Qingdao) has already paid an aggregate of RMB207,000,000 in accordance with the construction agreement.

As of the date of this announcement, the construction work of the new production plant has taken place. 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.

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 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 business. The Group managed its exposure to USD foreign currency risks by making USD borrowings to mitigate against such exchange risks. As at 31 December 2023, the Group did not borrow in USD borrowings (31 December 2022: USD7,202,000).

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 business and automobile dealership and services business. As the US is a major export market for the Group's manufacturing business, the worsening China-US relations will affect the results of the Group's manufacturing business. The Group will pay close attention to the economic trend of China, and address such risks and uncertainties in a timely manner by streamlining staffing and reducing other expenses reasonably to cut costs. Meanwhile, the Group will strive to expand the domestic market for its manufacturing business, so as to reduce the reliance on the export market.

CONTINGENT LIABILITIES

The contingent liabilities of the Group were approximately RMB12,178,000 (31 December 2022: Nil) for the Year, which was attributable to the lawsuit filed by a third party against the Company's subsidiaries. For details, please refer to the section headed "Lawsuits" in this announcement.

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.

Chifeng Lifeng against Inner Mongolia Chuangying

As disclosed in the Company's announcements dated 19 June 2023 and 29 August 2023, Inner Mongolia Chuangying was served with a summons as one of the defendants and was required to attend a court hearing in a lawsuit filed by Chifeng Lifeng Vehicle Store Co., Ltd.* (赤峰市利豐汽車行有限公司) ("**Chifeng Lifeng**") as the plaintiff. Chifeng Lifeng alleged that Inner Mongolia Chuangying had breached twelve equity transfer agreements (collectively, the "**Equity Transfer Agreements**") entered into between them by failing to pay the equity transfer consideration of RMB5,191,960 under one of the Equity Transfer Agreements and the equity transfer consideration of RMB34,200,000 in aggregate under the remaining eleven Equity Transfer Agreements. Chifeng Lifeng requested before the court for the ruling that Inner Mongolia Chuangying and Lifeng Dingsheng shall (i) compensate Chifeng Lifeng for an aggregate amount of RMB39,998,791.96; and (ii) bear all costs including the litigation costs, the preservation fees and others.

During the court proceedings that took place on 11 September 2023, Chifeng Lifeng applied for the withdrawal of the whole lawsuit and Inner Mongolia Chuangying received a ruling in respect of the aforesaid withdrawal from the court on 25 September 2023. As the aforesaid cases was concluded, no contingent liabilities would be caused to the Group. Please refer to the announcements of the Company dated 19 June 2023, 29 August 2023 and 25 September 2023 for further details of the lawsuits.

EMPLOYEES AND REMUNERATION POLICY

During the Year, the Group employed a total of 684 full-time employees (31 December 2022: 785), of which 142 (31 December 2022: 154) were managerial staff. The Group's remuneration policies are formulated to attract talent and retain quality staff. The remuneration package for the Group's employees includes wages, rewards (such as performance-based bonuses) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements its share option scheme as a long-term incentive scheme of the Group. Details of the share option scheme will be disclosed in the section headed "Report of the Directors" of the 2023 annual report of the Company. The Group emphasizes the importance of staff development and provides relevant training programs on an ongoing basis with reference to its strategic objectives and the performance of its staff.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has been continuously promoting the establishment and improvement of environment-related management 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 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

Automobile Dealership and Services Business

According to the latest production and sales figures of the automobile industry released by the China Association of Automobile Manufacturers, the sales volume of passenger cars in Mainland China amounted to approximately 26,063,000 for the Year, representing an increase of approximately 10.6% as compared to 2022. Although the market is getting warmer and the demand for car purchases is further released, the market competition on passenger vehicles in China is still intensifying this year. With the rapid increase in the market shares of new energy vehicles, the market size of traditional fuel vehicles is gradually shrinking, which will bring more intense competition in price. The industry in which the Group operates is still under significant pressure and challenges.

In 2023, after the withdrawal of the authorization of the automobile brands under the Group's dealership, our original customer base continued to diminish, and business related to the sales of new vehicles came to a halt, 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 2023:

First, we closed outlets with no brand license and comprehensive retail stores; and

Second, we laid off underperforming redundant employees due to business integration.

Manufacturing Business

In 2023, the Group's manufacturing business was affected by the shrinking export market, resulting in a decrease in the total number of orders of our export business. On one hand, as the exports to the North America market accounted for approximately 70% of the Group's manufacturing business, the impact of weak consumption and inflation in North America caused a decline of approximately 13% in the revenue from exports of the Group's manufacturing business as compared to the same period of 2022, which was mainly resulting from more and more foreign customers seeking non-PRC manufacturing suppliers against the backdrop of the intensifying deterioration in Sino-US relations. The Group managed to maintain the overall scale of foreign trade orders by continuously identifying appropriate OEM manufacturers in Vietnam for its manufacturing business. During the Year, revenue from the pre-installation business increased by 72% as compared to that of 2022 amidst the surge in exports of new energy vehicles and heavy trucks. The gross profit margin of the manufacturing business increased during the Year as a result of a higher average exchange rate of USD against RMB as compared with 2022. After deducting the impact of the higher exchange rate of USD, the operating profit of the Group's manufacturing business decreased slightly as compared to 2022.

The R&D of high-power inverters and energy storage products progressed smoothly. Well-known international customers received the first batch of new products after trial production. The follow-up R&D of the series of products are progressing. At the same time, the Group launched the "Lean Production and Digital Chemical Plant" project in its manufacturing business to meet the new industrial requirements, and further strengthened the Company's transformation, reduced costs, increased efficiency and enhanced manufacturing capabilities to embrace more market opportunities.

Hydrogen-Related Business

The Group's hydrogen-related business, as a provider of hydrogen fuel cell research and development, sales and holistic solutions, provides hydrogen-related products and solutions to government and leading customers in the IDC sector. Profits will be generated from the sale of equipment, hydrogen consultancy fees and service fees for the provision of hydrogen services.

Currently, the Group's operating entity in the hydrogen-related industry has entered into an investment agreement with the local government of Mianyang City, Sichuan Province in relation to a hydrogen-related construction project. For the construction project, the selection of the plant site was completed and the contract in relation to the procurement of the production line was also entered into, with contract payment having been made in accordance with the contractual terms.

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.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Issue of Bonds

On 11 March 2024, (i) the Board approved the issue of unlisted and unsecured bonds (the "**Bonds**") in the aggregate principal amount of not more than HK$70,000,000 in one or multiple tranches. The maturity date of the Bonds is 31 December 2027 with an interest rate of 12% per annum; and (ii) the Company has 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 on a best effort basis within a year from 11 March 2024.

As of the date of this announcement, the Bonds with an aggregate principal amount of HK$3,000,000 have been subscribed.

Please refer to the announcement of the Company dated 11 March 2024 for further details of the Bonds.

CORPORATE GOVERNANCE

The Board believes that good corporate governance practice is the key to business growth and management of the Group. The Company has applied the Corporate Governance Code (the "**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 during 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 was not affected as a result. As at the date of this announcement, the Company has complied with the code provisions by setting out in writing the division of responsibilities between the chairman and the chief executive officer.

Code provision D.1.2 requires that the management should provide all members of the Board with monthly updates. The management of the Company maintained timely communication with the Board during the Year, but failed to provide, on a monthly basis, the Board with the required monthly updates before May 2023. This situation has been improved since May 2023.

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 during 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 August 2023 and January 2024, respectively. In addition, the Board and the management also focused on rectification with a view to improving the Company's internal control 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 October 2023 and January 2024, respectively. Furthermore, at the Board meeting held on 28 March 2024, the Board appointed a suitable personnel in charge of the internal audit in order to establish the internal audit function.

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 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors and 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 as set out in the Model Code during the Year.

AUDIT COMMITTEE

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

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the Year (2022: Nil).

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

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Friday, 28 June 2024 and the notice of annual general meeting will be published in accordance with the requirements under the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 June 2024 to Friday, 28 June 2024 (both days inclusive), during which no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 20 June 2024.

SCOPE OF WORK OF HLB

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

EXTRACT OF INDEPENDENT AUDITORS' REPORT

Opinion

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2(b) to the consolidated financial statements which describes that the Group incurred a loss for the year of RMB88,396,000 and the Group has short-term bank and other borrowings amounting to RMB225,634,000. As at 31 December 2023, the Group had cash and cash equivalents amounting to RMB78,619,000 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.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board of the Company comprises the following Directors: executive Director – TONG Fei; and independent non-executive Directors – LI Qingwen, HUANG Bo and ZHANG Kaizhi.

* *For identification purposes only*