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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of New Focus Auto Tech Holdings Limited (the “**Company**”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with the unaudited comparative figures for the corresponding period of 2022, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	256,114	247,789
Cost of sales and services		<u>(212,363)</u>	<u>(213,758)</u>
Gross profit		43,751	34,031
Other income	5	10,438	2,223
Other gains or losses, net	6	1,373	9,634
Allowance for expected credit losses on trade receivables and other receivables, net		928	696
Distribution costs		(19,486)	(21,147)
Administrative expenses		(27,897)	(27,844)
Finance costs	7	<u>(11,814)</u>	<u>(14,966)</u>
Loss before taxation		(2,707)	(17,373)
Income tax expense	8	<u>(2,561)</u>	<u>(796)</u>
Loss for the period		<u>(5,268)</u>	<u>(18,169)</u>
Other comprehensive loss for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<u>(2,920)</u>	<u>(1,288)</u>
Other comprehensive loss for the period, net of tax		<u>(2,920)</u>	<u>(1,288)</u>
Total comprehensive loss for the period		<u>(8,188)</u>	<u>(19,457)</u>

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

For the six months ended 30 June 2023

(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to		
Equity shareholders of the Company	(5,228)	(17,824)
Non-controlling interests	(40)	(345)
	<u>(5,268)</u>	<u>(18,169)</u>
Total comprehensive loss attributable to		
Equity shareholders of the Company	(8,148)	(19,112)
Non-controlling interests	(40)	(345)
	<u>(8,188)</u>	<u>(19,457)</u>
Loss per share		
Basic and diluted (<i>RMB cents</i>)	(0.030)	(0.263)
	<u>(0.030)</u>	<u>(0.263)</u>

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Expressed in Renminbi)

		At 30 June 2023	At 31 December 2022
	<i>Note</i>	RMB'000 <i>(Unaudited)</i>	RMB'000 <i>(Audited)</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		72,790	66,738
Right-of-use assets		30,397	30,829
Investment properties		38,975	38,975
Deferred tax assets		3,252	3,623
		<u>145,414</u>	<u>140,165</u>
Current assets			
Inventories		102,326	121,013
Trade receivables	11	94,447	86,455
Financial assets at fair value through profit or loss		251	457
Deposits, prepayments and other receivables		470,280	1,070,211
Cash and cash equivalents		625,693	275,139
		<u>1,292,997</u>	<u>1,553,275</u>
Current liabilities			
Trade payables	12	193,545	227,147
Accruals and other payables		192,024	187,235
Contract liabilities		44,160	251,240
Amounts due to related parties		25,286	–
Lease liabilities		1,390	2,494
Tax payable		4,883	6,246
Bank and other borrowings		240,215	269,149
		<u>701,503</u>	<u>943,511</u>
Net current assets		<u>591,494</u>	<u>609,764</u>
Total assets less current liabilities		<u>736,908</u>	<u>749,929</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2023
(Expressed in Renminbi)

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities		
Amounts due to related parties	17,393	–
Lease liabilities	–	156
Deferred tax liabilities	9,789	9,789
Bank and other borrowings	14,930	37,000
	<u>42,112</u>	<u>46,945</u>
NET ASSETS	<u>694,796</u>	<u>702,984</u>
CAPITAL AND RESERVES		
Share capital	1,490,706	1,490,706
Reserves	(811,714)	(803,566)
Total equity attributable to equity shareholders of the Company	678,992	687,140
Non-controlling interests	15,804	15,844
TOTAL EQUITY	<u>694,796</u>	<u>702,984</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

(Expressed in Renminbi)

	Share capital RMB'000	Share premium and other reserve RMB'000	Accumulated losses RMB'000	Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	1,490,706	1,142,006	(1,945,572)	687,140	15,844	702,984
Loss for the period	-	-	(5,228)	(5,228)	(40)	(5,268)
Other comprehensive income for the period	-	(2,920)	-	(2,920)	-	(2,920)
Total comprehensive income for the period	-	(2,920)	(5,228)	(8,148)	(40)	(8,188)
Balance at 30 June 2023	1,490,706	1,139,086	(1,950,800)	678,992	15,804	694,796
Balance at 1 January 2022	556,286	1,519,192	(1,895,679)	179,799	14,662	194,461
Loss for the period	-	-	(17,824)	(17,824)	(345)	(18,169)
Other comprehensive loss for the period	-	(1,288)	-	(1,288)	-	(1,288)
Total comprehensive income for the period	-	(1,288)	(17,824)	(19,112)	(345)	(19,457)
Change in ownership interest in subsidiaries	-	(122)	-	(122)	122	-
Capital injection from non-controlling shareholders	-	-	-	-	476	476
Balance at 30 June 2022	556,286	1,517,782	(1,913,503)	160,565	14,915	175,480

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023

(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	260,072	58,557
Income tax paid	(5,099)	(699)
Net cash generated from operating activities	<u>254,973</u>	<u>57,858</u>
Investing activities		
Purchase of property, plant and equipment	(11,794)	(3,132)
Loans repaid by third parties	403,977	2,475
Loans to third parties	(281,410)	(1,000)
Interest received	4,945	–
Other cash flows arising from investing activities	1,157	863
Net cash generated from/(used in) investing activities	<u>116,875</u>	<u>(794)</u>
Financing activities		
Net decrease in bank and other borrowings	(56,731)	(6,320)
Proceeds from related party borrowings	39,711	–
Payment of lease liabilities	(1,313)	(1,615)
Other cash flows arising from financing activities	(2,961)	(2,223)
Net cash used in financing activities	<u>(21,294)</u>	<u>(10,158)</u>
Net increase in cash and cash equivalents	<u>350,554</u>	<u>46,906</u>
Cash and cash equivalents, beginning of period	<u>275,139</u>	<u>38,929</u>
Cash and cash equivalents, end of period	<u>625,693</u>	<u>85,835</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and trading of automobile accessories and operating the 4S dealership stores and related business. The Company and its subsidiaries are collectively referred to as the Group.

The directors of the Company (the “**Directors**”) regard Daodu (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability as the immediate holding company, and Qingdao Guorui Xin Fuke Investment Center, L.P.* (青島國瑞新福克斯投資中心(有限合夥)), a limited partnership established in the PRC, as the ultimate holding company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standards (“**IAS**”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issuance on 30 August 2023.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The financial information relating to the financial year ended 31 December 2022 that is included in the unaudited interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 April 2023.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Recognised at a point in time:		
Sale of goods	242,887	238,958
Service income	13,227	8,831
	<u>256,114</u>	<u>247,789</u>

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 segments

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 two reportable segments: (i) the manufacture and sale of automobile accessories (the “**Manufacturing Business**”); and (ii) operating the 4S dealership stores and related business (the “**Automobile Dealership and Services Business**”).

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central income and 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 resource allocation and assessment of segment performance.

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Set out below is an analysis of segment information:

	The manufacturing business RMB'000 (Unaudited)	Automobile Dealership and Service Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2023			
Revenue			
External revenue	188,734	67,380	256,114
Inter-segment revenue	—	—	—
Segment revenue	<u>188,734</u>	<u>67,380</u>	<u>256,114</u>
Less: inter-segment revenue			—
Total revenue			<u>256,114</u>
Reportable segment results	11,806	(3,995)	7,811
Interest income	5,042	1	5,043
Unallocated interest income			<u>5</u>
Total interest income			<u>5,048</u>
Interest expenses	(5,727)	(3,584)	(9,311)
Unallocated interest expenses			<u>(2,503)</u>
Total interest expenses			<u>(11,814)</u>
Depreciation and amortisation charges	(6,728)	(115)	(6,843)
Unallocated depreciation and amortisation charges			<u>(73)</u>
Total depreciation and amortisation charges			<u>(6,916)</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	The manufacturing business <i>RMB'000</i> <i>(Unaudited)</i>	Automobile Dealership and Service Business <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
For the six months ended 30 June 2022			
Revenue			
External revenue	185,274	62,515	247,789
Inter-segment revenue	—	—	—
Segment revenue	185,274	62,515	247,789
Less: inter-segment revenue			—
Total revenue			247,789
Reportable segment results	130	(5,939)	(5,809)
Interest income	188	8	196
Unallocated interest income			8
Total interest income			204
Interest expenses	(2,027)	(3,210)	(5,237)
Unallocated interest expenses			(9,729)
Total interest expenses			(14,966)
Depreciation and amortisation charges	(6,642)	(18)	(6,660)
Unallocated depreciation and amortisation charges			(70)
Total depreciation and amortisation charges			(6,730)

4. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit/(loss) before tax		
Reportable segment profit/(loss)	7,811	(5,809)
Unallocated other income and gains and losses, net	(1,906)	5,144
Unallocated corporate expenses	(6,110)	(6,979)
Unallocated finance costs	(2,502)	(9,729)
	<u>(2,707)</u>	<u>(17,373)</u>
	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Assets:		
Reportable segment assets	1,346,927	1,602,624
Unallocated corporate assets	91,484	90,816
	<u>1,438,411</u>	<u>1,693,440</u>
Liabilities:		
Reportable segment liabilities	658,420	906,253
Unallocated corporate liabilities	85,195	84,203
	<u>743,615</u>	<u>990,456</u>

(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	
	Six months ended 30 June		At 30 June	At 31 December
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
PRC (Place of domicile)	106,801	95,602	142,162	136,542
America	132,619	135,630	–	–
Europe	6,865	8,881	–	–
Asia Pacific	9,829	7,676	–	–
	<u>256,114</u>	<u>247,789</u>	<u>142,162</u>	<u>136,542</u>

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(d) Major customers

Revenue from customers during the period contributing over 10% of the Group's revenue is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Customer A	N/A ¹	30,541

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

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

5. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Mould sales	10	326
Interest income	5,048	204
Gross rentals from investment properties and other rental income	835	833
Management consulting income	2,728	–
Scrap and slow-moving material sales	1,197	86
Others	620	774
	<u>10,438</u>	<u>2,223</u>

6. OTHER GAINS OR LOSSES, NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Exchange gain, net	242	10,007
Gain/(loss) on disposal of property, plant and equipment	567	(224)
Government subsidies	267	175
Fair value loss on financial assets at fair value through profit or loss	(207)	(409)
Others	504	85
	<u>1,373</u>	<u>9,634</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2023 <i>RMB'000</i> <i>(Unaudited)</i>	2022 <i>RMB'000</i> <i>(Unaudited)</i>
Interest on bank and other borrowings within five years	11,109	14,862
Interest on related party borrowings	652	–
Interest on lease liabilities	53	104
	11,814	14,966

8. INCOME TAX

	Six months ended 30 June	
	2023 <i>RMB'000</i> <i>(Unaudited)</i>	2022 <i>RMB'000</i> <i>(Unaudited)</i>
Current tax	2,190	245
Deferred taxation	371	551
	2,561	796

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the six months ended 30 June 2023 (30 June 2022: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

9. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the period attributable to the equity shareholders of the Company, used in the basic and diluted loss per share calculation	(5,228)	(17,824)
Shares		
Weighted average number of ordinary shares for the basic loss per share calculation	17,216,948,349	6,767,636,215
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	17,216,948,349	6,767,636,215

* No adjustment is made to the diluted loss per share for the six months ended 30 June 2023 (30 June 2022: Nil) as there were no potential dilutive shares in issue.

10. DIVIDEND

The board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

11. TRADE RECEIVABLES

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

	At 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	At 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Current to 30 days	40,020	61,185
31 to 60 days	16,019	10,494
61 to 90 days	19,765	4,818
Over 90 days	33,781	24,554
	<u>109,585</u>	<u>101,051</u>
Less: allowance for ECL	<u>(15,138)</u>	<u>(14,596)</u>
	<u>94,447</u>	<u>86,455</u>

12. TRADE PAYABLES

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

	At 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	At 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Current to 30 days	47,024	102,511
31 to 60 days	17,217	16,076
61 to 90 days	15,050	8,735
Over 90 days	114,254	99,825
	<u>193,545</u>	<u>227,147</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group focuses on the research and development, manufacturing and sales of automotive electronic products, as well as the construction and development of automobile dealership networks. The automotive electronic products that the Group produces mainly include inverters, chargers, multi-functional power packs and cooling and heating boxes, which are mainly sold to the markets of the People's Republic of China (the "PRC" or "China"), North America and Europe. The Group's automobile dealership and services business is operated mainly in the Inner Mongolia Autonomous Region for automobile sales, automotive aftersales services, as well as the distribution of car insurance products and automobile financial products.

Results Highlights

Revenue

During the Period, the consolidated revenue of the Group was approximately RMB256,114,000 (corresponding period of 2022: RMB247,789,000), representing an increase of approximately 3.36%.

The consolidated revenue from the manufacturing business of the Group during the Period was approximately RMB188,734,000 (corresponding period of 2022: RMB185,274,000), representing a slight increase of approximately 1.87%, which was attributable to the resumption of operations of the Group's manufacturing plant in Shanghai following the relaxation of local pandemic prevention policies. However, this growth was offset by the decrease in the total number of orders of the Group's export business.

The consolidated revenue from the Group's automobile dealership and services business amounted to approximately RMB67,380,000 (corresponding period of 2022: RMB62,515,000), representing an increase of approximately 7.78%, which was mainly attributable to the uninterrupted operation of the Group's automobile dealer stores in Hohhot, which were not affected by prolonged operational suspensions due to local pandemic prevention policies in the corresponding period of 2022.

Gross profit and gross profit margin

The consolidated gross profit of the Group for the Period was approximately RMB43,751,000 (corresponding period of 2022: RMB34,031,000), representing an increase of approximately 28.56%. The gross profit margin increased from 13.73% for the corresponding period of 2022 to 17.08%.

The gross profit of the Group's manufacturing business was approximately RMB37,884,000 (corresponding period of 2022: RMB28,846,000), representing an increase of approximately 31.33%. The gross profit margin increased from approximately 15.57% for the corresponding period of 2022 to approximately 20.07%. The increases in both gross profit and gross profit margin were mainly attributable to two reasons: first, the inclusion of direct staff costs and manufacturing depreciation charges incurred by the Group's manufacturing plants located in Shanghai during production suspension under the pandemic for the corresponding period of 2022 into production costs, which resulted in lower gross profit margin whilst revenue decreased; second, the average exchange rate of USD against RMB for the Period was higher than that for the corresponding period of 2022, resulting in an increase in gross profit margin of foreign trade revenue denominated in USD.

The gross profit of the Group's automobile dealership and services business was approximately RMB5,867,000 (corresponding period of 2022: RMB5,185,000), representing an increase of approximately 13.15%. The gross profit margin increased from approximately 8.29% for the corresponding period of 2022 to approximately 8.71%. The increase in gross profit was mainly attributable to the increase in revenue for the Period as compared to that for the corresponding period of 2022.

Other income and gains and losses

Other income for the Period was approximately RMB10,438,000 (corresponding period of 2022: RMB2,223,000), representing an increase of approximately 369.55%. The increase was mainly attributable to an interest income of approximately RMB4,434,000 recorded for the Period due to the provision of loans 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, while no such revenue was recorded for the corresponding period of 2022.

Other gains or losses, net for the Period was approximately RMB1,373,000 (corresponding period of 2022: RMB9,634,000), representing a decrease of approximately 85.75%, which was mainly attributable to a decrease in exchange gain of approximately RMB9,765,000.

Expenses

The reversal of net allowance for expected credit losses on trade receivables and other receivables for the Period was approximately RMB928,000 (corresponding period of 2022: RMB696,000).

The distribution costs for the Period were approximately RMB19,486,000 (corresponding period of 2022: RMB21,147,000), representing a decrease of approximately 7.85%, which was mainly attributable to the decrease in sales and marketing expenses and freight expenses as the Group controlled its cost expenses during the Period, as well as the decrease in rental expenses as a result of the downsizing of operations of the automobile dealership and services business.

The administrative expenses for the Period were approximately RMB27,897,000 (corresponding period of 2022: RMB27,844,000), representing an increase of approximately 0.19%.

Operating loss

The operating profit of the Group for the Period was approximately RMB9,107,000 (corresponding period of 2022: loss of RMB2,407,000). The positive turnaround was mainly due to an increase of approximately RMB9,720,000 in gross profit during the Period as compared to the corresponding period of 2022, and a decrease of approximately RMB1,661,000 in distribution costs as compared to the corresponding period of 2022.

Finance costs

Finance costs for the Period was approximately RMB11,814,000 (corresponding period of 2022: RMB14,966,000), representing a decrease of approximately 21.06%, which was mainly attributable to the decrease in the average balance of the Group's bank and other borrowings during the Period as compared to the corresponding period of 2022.

Taxation

Income tax expenses for the Period were approximately RMB2,561,000 (corresponding period of 2022: RMB796,000).

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Period was approximately RMB5,228,000 (corresponding period of 2022: RMB17,824,000). The decrease in losses was mainly due to the increase in gross profit and decrease in distribution costs during the Period. The loss per share for the Period was approximately RMB0.030 cents (corresponding period of 2022: RMB0.263 cents).

Financial Position and Liquidity

The Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy. The Group had a net cash inflow from operating activities of approximately RMB254,973,000 during the Period (corresponding period of 2022: RMB57,858,000).

The Group's net current assets were approximately RMB591,494,000 as at 30 June 2023 (31 December 2022: RMB609,764,000), with a current ratio of 1.84 (31 December 2022: 1.65).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 51.70% as at 30 June 2023 (31 December 2022: 58.49%).

As at 30 June 2023, the total bank and other borrowings of the Group were approximately RMB255,145,000 (31 December 2022: RMB306,149,000), of which approximately 13.37% were made in United States Dollars (“**USD**”) and approximately 86.63% were made in Renminbi (“**RMB**”). All of the borrowings were repayable at fixed interest rates, of which approximately RMB240,215,000 was repayable within one year, and approximately RMB14,930,000 was repayable after one year but within five years.

The Group’s operation and capital expenses were financed by the cash flow generated from its business, internal liquidity and its financing agreements entered into with banks. The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operations.

Material loan transactions

HK\$150,000,000 loan

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

A maximum of RMB505,005,000 loan

As disclosed in the announcement of the Company dated 30 March 2023, New Focus Lighting and Power Technology (Qingdao) Co., Ltd. (“**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 had 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**”) and New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into an extension agreement (“**Extension Agreement**”) to extend the maturity date of the remaining loan (i.e. RMB25,005,000) to one year from the date of the Extension Agreement.

On 1 January 2023, New Focus Lighting & Power (Qingdao) entered into a supplemental agreement (the “**Supplemental Agreement**”) with Jinghang Dayun, Baotou Shuozheng and Shanghai Yaran on the Repaid 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 RMB272,775,875 was advanced under the Second Loan Agreement. As at the date of this announcement, Jinghang Dayun had already repaid an aggregate of the loans of RMB452,776,875 together with the accrued interest of RMB4,700,000, and the balance of the loans is RMB25,004,000.

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

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 75% 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 RMB1,438,411,000 (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(795,910,000) (31 December 2022: approximately RMB(787,722,000)); and (3) liabilities of approximately RMB743,615,000 (31 December 2022: approximately RMB990,456,000).

Financial Guarantees and Pledge of Assets

As at 30 June 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 totalled approximately RMB124,426,000 (31 December 2022: RMB127,581,000).

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

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

Significant Investments

The Group had no significant investments during the Period. Save for the matters set out in the section headed "Material Events after the Reporting Period" in this interim results announcement, the Group had no specific plans for material future investments or acquisitions of businesses as at 30 June 2022.

Exchange Risks

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

Approximately 75% of the turnover from the Group's manufacturing business was generated from exports 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 30 June 2023, the amount of the Group's USD borrowings was approximately USD8,092,000 (31 December 2022: USD7,202,000).

Contingent Liabilities

As at 30 June 2023, the contingent liabilities of the Group were approximately RMB17,370,000 (31 December 2022: Nil), which was attributable to certain lawsuits filed by third parties against the Company's subsidiaries. For details, please refer to the section headed "Lawsuits" in this interim results announcement.

Lawsuits

Ningbo Jiche against Inner Mongolia Chuangying

As stated in the Company's announcement dated 5 June 2023, Inner Mongolia Chuangying Automobile Co., Ltd. ("**Inner Mongolia Chuangying**"), a wholly-owned subsidiary of the Company, 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.

As the case was ordered by Hohhot Huimin District People's Court to be transferred to the Beijing Dongcheng District People's Court for trial, no hearing has yet to be scheduled. As at the date of this announcement, it is uncertain whether such order has taken effect, and there has been no substantial developments in this case. Inner Mongolia Chuangying is currently seeking legal advice and will proactively respond to the case. Due 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 announcement dated 19 June 2023, Inner Mongolia Chuangying, a wholly-owned subsidiary of the Company, has been served with a summons as one of the defendants and is 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 a ruling that Inner Mongolia Chuangying shall pay the equity transfer consideration of RMB39,391,960, and be liable for the repayment obligation on a joint and several basis with the other defendant Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) ("**Lifeng Dingsheng**"), as well as compensate Chifeng Lifeng for losses it incurred due to the overdue payment and bear all costs including the litigation costs, the preservation fees, legal fees and others.

As at 30 June 2023, taking into account the information available and the advice from external lawyers, the management of the Company is of the view that the principal amount of contingent liabilities that may be caused to the Group as a result of these litigation matters is approximately RMB5,192,000 (being the equity transfer consideration in respect of one of the Equity Transfer Agreements), and it is unlikely that the equity transfer consideration of RMB34,200,000 in respect of the remaining eleven Equity Transfer Agreements, as claimed by Chifeng Lifeng, will be supported by the Court.

Also as disclosed in the Company's announcement dated 29 August 2023, the latest amended claims of Chifeng Lifeng against Inner Mongolia Chuangying are as follows:

- (1) request before the court for a ruling that Inner Mongolia Chuangying and Lifeng Dingsheng shall compensate Chifeng Lifeng for an aggregate amount of RMB39,998,791.96; and
- (2) request before the court for a ruling that Inner Mongolia Chuangying and Lifeng Dingsheng shall bear all costs including the litigation costs, the preservation fees and others.

Inner Mongolia Chuangying will continue to actively respond to the above lawsuit. Due to the ongoing litigation and the uncertainty regarding the implementation and execution of the post-trial rulings, the Group is currently taking legal advice as to the implication of the application for claims amendment received in August 2023 and assessing the possible contingent liabilities that may result from the above amended claims to the Group. Please refer to the announcements of the Company dated 19 June 2023 and 29 August 2023 for further details of the lawsuits.

Material Events after the Reporting Period

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) (“**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 Enterprise Management Center (Limited Partnership)* (天津宏卓企業管理中心(有限合夥)) (“**Tianjin Hongzhuo**”). According to the Partnership Agreement, the total amount of capital commitments of Tianjin Hongzhuo is RMB290.2 million, of which Tianjin Yun Qi Tian (as general partner) and Yanshi Hongyuan (as general partner and executive partner) will each contribute RMB0.1 million, while New Focus (Beijing) and Beijing Xifu (as limited partners) will contribute RMB140 million and RMB150 million, respectively. As of the date of this interim results announcement, New Focus (Beijing) has completed the contribution of RMB140 million to Tianjin Hongzhuo. Please refer to the announcements of the Company dated 2 July 2023 and 19 July 2023 for further details of the formation of the partnership.

Employees and Remuneration Policy

As at 30 June 2023, the Group employed a total of 713 full-time employees (30 June 2021: 889), of which 108 (30 June 2021: 192) 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 “Other Information” of the interim report of the Company to be published in due course. 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.

Dividends

The Board does not recommend the payment of an interim dividend for the Period (corresponding period of 2022: Nil).

Industrial Development and Business Progress

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 13,239,000 during the Period, representing a year-on-year increase of approximately 9.8%, of which the sales volume of passenger vehicles amounted to approximately 11,268,000, representing a year-on-year increase of approximately 2.1%. Driven by factors such as policy stimulus, the implementation of China’s National VI emission standards for light vehicles, automotive marketing activities in various regions, and the introduction of new models, automobile sales achieved certain growth in the first half of the year. However, China’s macroeconomic environment remains complicated and the unemployment rate is rising, suppressing the consumption demand of car owners in Mainland China. The industry in which the Group operates is under significant pressure and challenges.

Automobile Dealership and Services Business of the Group

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

In the first half of 2023, after the withdrawal of the automotive brands under the Group's dealership, our existing customer base continued to diminish, and business related to the sales of new vehicles basically 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. Due to the relatively smaller impact of pandemic prevention policies during the Period, the business revenue from the Group's automobile dealer stores in the first half of 2023 increased slightly as compared to the same period last year.

The Group mainly implemented the following operating strategies for the automobile dealership and services business in the first half of 2023:

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

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

Manufacturing Business of the Group

In the first half of 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 US market accounted for approximately 75% of the Group's manufacturing business, the impact of weak consumption and inflation in the US caused a significant decline of approximately 21% in the revenue from exports of the Group's manufacturing business as compared to the same period of 2021, but still showed growth as compared to the same period of last year. On the other hand, thanks to the favourable effect from the appreciation of the USD against RMB, the exchange gain increased and hence the operating profit of the manufacturing business of the Group registered growth.

The research and development (“**R&D**”) of high-power inverters and energy storage products progressed smoothly. Well-known international customers received the first batch of new products after trial production. The follow-up R&D of the series of products are progressing. Due to the drastic decline in market demand for pre-installation commercial vehicles, revenue from the domestic trade business dropped significantly. As the domestic trade business is anticipating market recovery, we will continue to promote the R&D of new products and procurement of new customers.

Prospects

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

CORPORATE GOVERNANCE AND OTHERS

Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the Period.

Purchase, Sale and Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company during the Period.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by directors or relevant employees as defined in the Model Code. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the requirements of the Model Code during the Period.

Audit Committee

At present, the audit committee of the Company (the “**Audit Committee**”) has reviewed with the management the accounting standards and practice guidelines adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the Period. The accounting information in this interim results announcement has not been audited but has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com). The 2023 interim report will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 August 2023

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

* *For identification purpose only*