NEW FOCUS AUTO TECH HOLDINGS LIMITED
新焦點汽車技術控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 (the "**Year**") together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenue	4	**1,267,928**	1,292,665
Cost of sales and services		**(1,045,573)**	(1,017,862)
Gross profit		**222,355**	274,803
Other revenue and gains and losses	5	**(203,571)**	59,934
Distribution costs		**(184,082)**	(213,738)
Administrative expenses		**(152,619)**	(149,492)
Impairment loss on goodwill and other intangible assets		**(5,302)**	(74,334)
Finance costs	6	**(47,885)**	(40,885)
Share of loss of an associate		**(234)**	(2,099)
Loss before taxation	7	**(371,338)**	(145,811)
Income tax	8	**1,368**	(2,507)
Loss for the year		**(369,970)**	(148,318)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**9,831**	(8,403)
Available-for-sale financial assets: net movement in the fair value reserve		**–**	(325)
Other comprehensive income for the year, net of tax		**9,831**	(8,728)
Total comprehensive income for the year		**(360,139)**	(157,046)
Loss for the year attributable to			
– Equity shareholders of the Company		**(315,465)**	(123,459)
– Non-controlling interests		**(54,505)**	(24,859)
		(369,970)	(148,318)
Total comprehensive income attributable to			
– Equity shareholders of the Company		**(305,634)**	(132,187)
– Non-controlling interests		**(54,505)**	(24,859)
		(360,139)	(157,046)
Loss per share	*10*		
Basic (RMB cents)		**(6.79)**	(2.70)
Diluted (RMB cents)		**(6.79)**	(2.70)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi)

	Note	**31 December 2017** ***RMB'000***	31 December 2016 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**206,033**	182,450
Leasehold land and land use rights		**29,152**	30,221
Investment properties		**46,398**	43,864
Goodwill		**43,919**	43,919
Other intangible assets		**49,660**	56,038
Interest in an associate		**159**	393
Amounts due from related parties		**24,262**	–
Deferred tax assets		**37,627**	31,166
Other non-current assets		**8,636**	–
		445,846	388,051
Current assets			
Inventories		**177,986**	177,135
Tax recoverable		**6**	6
Trade receivables	*11(a)*	**161,632**	161,590
Deposits, prepayments and other receivables	*11(b)*	**442,264**	284,650
Amounts due from related parties		**15,006**	32,633
Pledged time deposits		**4,500**	4,500
Cash and cash equivalents		**132,944**	164,269
		934,338	824,783
Current liabilities			
Bank borrowings, secured		**157,051**	178,475
Trade payables	*12(a)*	**242,755**	185,641
Accruals and other payables	*12(b)*	**428,163**	208,662
Amount due to related parties		**2,719**	–
Tax payable		**4,041**	4,423
Convertible bonds		**305,260**	183,834
		1,139,989	761,035
Net current (liabilities)/assets		**(205,651)**	63,748
Total assets less current liabilities		**240,195**	451,799

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2017
(Expressed in Renminbi)

	Note	**31 December 2017** ***RMB'000***	31 December 2016 *RMB'000*
Non-current liabilities			
Deferred tax liabilities		**22,268**	22,632
		22,268	22,632
NET ASSETS		**217,927**	429,167
CAPITAL AND RESERVES			
Share capital		**398,481**	376,184
Reserves		**(202,060)**	(21,897)
Total equity attributable to equity shareholders of the Company		**196,421**	354,287
Non-controlling interests		**21,506**	74,880
TOTAL EQUITY		**217,927**	429,167

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Operating activities:			
Loss before taxation		**(371,338)**	(145,811)
Adjustments for:			
– Write-down of inventories	7	**2,765**	5,416
– Depreciation and amortisation	7	**39,917**	37,497
– Allowance for doubtful debts	7	**7,143**	4,509
– Impairment of other intangible assets and goodwill	7	**5,302**	74,334
– Equity-settled share-based payments	7	**716**	5,963
– Interest income	5	**(4,529)**	(13,551)
– Interest expenses	6	**47,885**	40,885
– Loss/(gain) on disposal of property, plant and equipment	5	**722**	(135)
– Fair value change on investment properties	5	**(2,534)**	(1,089)
– Gain on disposal of subsidiaries and an associate	5	**–**	(19,820)
– Written-off of other payables	5	**–**	(1,274)
– Fair value change of conversion option	5	**208,031**	(4,250)
– Share of loss of an associate		**234**	2,099
Operating cash flows before working capital changes		**(65,686)**	(15,227)
Increase in inventories		**(2,962)**	(32,442)
Increase in trade receivables		**(6,988)**	(50,675)
Decrease/(increase) in deposits, prepayments and other receivables		**179**	(25,276)
Decrease/(increase) in amounts due from related parties		**14,016**	(406)
Increase in trade payables		**57,044**	56,431
Increase in accruals and other payables		**33,238**	41,551
Increase in amounts due to related parties		**2,719**	–
Cash generated from/(used in) operations		**31,560**	(26,044)
Income tax paid		**(4,829)**	(7,034)
Net cash generated from/(used in) operating activities		**26,731**	(33,078)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(74,667)**	(57,713)
Proceeds from sale of available-for-sale financial assets		**–**	54,649
Proceeds from disposal of property, plant and equipment and investment properties		**537**	2,149
Loans to a related party		**(25,651)**	–
Loans to Lifeng Dingsheng		**(242,512)**	–
Loans repaid by a third party	*11(b)*	**66,500**	60,000
Net cash in/(out) for acquiring of subsidiaries		**124**	(889)
Net cash in/(out) for disposal of subsidiaries		**19,500**	(10,925)
Investment in associates		**–**	(598)
Increase in pledged time deposits		**–**	38
Interest received		**2,828**	21,725
Net cash (used in)/generated from investing activities		**(253,341)**	68,436
Financing activities			
Proceeds from issue of convertible bonds		**230,128**	–
Capital received from non-controlling owners of a subsidiary		**6,200**	1,210
Proceeds from investment of a third party		**188,975**	–
Proceeds from exercise of share options		**4,658**	188
Proceeds from new bank loans		**172,051**	178,477
Repayment of bank loans		**(193,475)**	(175,456)
Repayment of convertible bonds		**(191,324)**	–
Dividend paid to non-controlling owners of subsidiaries		**(69)**	–
Interest paid		**(18,099)**	(18,418)
Net cash generated from/(used in) financing activities		**199,045**	(13,999)
Net (decrease)/increase in cash and cash equivalents		**(27,565)**	21,359
Cash and cash equivalents at the beginning of the year		**164,269**	140,327
Effect of foreign exchange rate changes		**(3,760)**	2,583
Cash and cash equivalents at the end of the year		**132,944**	164,269
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		**132,944**	164,269

NOTES TO THE 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 the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region and trading of automobile accessories. The Company and its subsidiaries are collectively referred to as the Group.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

These consolidated financial statements were authorised for issue by the Board on 29 March 2018.

(b) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. However, additional disclosure has been made to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows*: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(a) Critical judgments in applying accounting policies

The following is the critical judgement that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recognised in financial statements.

(i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) Other intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's other intangible assets. The useful lives of other intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Other intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

(b) Key sources of estimation uncertainty

Information about assumption and estimation uncertainties that has a significant risk of resulting in a material adjustment in the year ended 31 December 2017 includes the following:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) *Impairment of trade and other receivables*

The Group's management determines the allowance for impairment of trade and other receivables. This estimate is based on the credit history of its customers and debtors and the current market condition. Management will reassess the allowance at the end of each reporting period.

(iv) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at the end of each reporting period.

4 REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	RMB'000	*RMB'000*
Sale of goods	**942,186**	887,064
Services income	**325,742**	405,601
	1,267,928	1,292,665

(a) Reportable segment

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

The Group operates in three reportable segments: (i) the manufacture and sale of automobile accessories (the "**Manufacturing Business**"); (ii) trading of automobile accessories (the "**Wholesale Business**"); and (iii) the provision of automobile repair, maintenance and restyling services (the "**Retail Service 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.

Set out below is an analysis of segment information:

	The Manufacturing Business		The Wholesale Business		The Retail Service Business		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
External revenue	**582,682**	421,981	**320,936**	401,541	**364,310**	469,143	**1,267,928**	1,292,665
Inter-segment revenue	**200**	271	**75**	884	**–**	687	**275**	1,842
Segment revenue	**582,882**	422,252	**321,011**	402,425	**364,310**	469,830	**1,268,203**	1,294,507
Reportable segment results	**14,180**	19,971	**(29,817)**	(7,089)	**(88,195)**	(133,780)	**(103,832)**	(120,898)
Interest income	**355**	402	**1,559**	1,182	**359**	309	**2,273**	1,893
Unallocated interest income							**2,256**	10,067
Total interest income							**4,529**	11,960
Interest expenses	**(1,038)**	(830)	**–**	–	**(269)**	(685)	**(1,307)**	(1,515)
Unallocated interest expenses							**(46,578)**	(39,370)
Total interest expenses							**(47,885)**	(40,885)
Impairment loss on goodwill	**–**	–	**–**	–	**–**	(74,334)	**–**	(74,334)
Impairment loss on other intangible assets	**–**	–	**–**	–	**(5,302)**	–	**(5,302)**	–
Depreciation and amortisation charges	**(10,664)**	(11,188)	**(3,160)**	(3,543)	**(23,756)**	(20,614)	**(37,580)**	(35,345)
Unallocated depreciation and amortisation charges							**(2337)**	(2,152)
Total depreciation and amortisation charges							**(39,917)**	(37,497)
Reportable segment assets	**396,133**	411,644	**103,586**	134,909	**409,368**	422,253	**909,087**	968,806
Additions to non-current assets	**14,057**	6,706	**3,703**	3,888	**40,895**	49,673	**58,655**	60,267
Unallocated additions to non-current assets							**3,905**	–
Total additions to non-current assets							**62,560**	60,267
Reportable segment liabilities	**184,562**	245,733	**76,139**	76,524	**363,633**	290,326	**624,334**	612,583

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

	2017	2016
	RMB'000	*RMB'000*
Loss before taxation		
Reportable segment loss	**(103,832)**	(120,898)
Unallocated other revenue and gains and losses	**(205,143)**	35,706
Unallocated corporate expenses	**(15,785)**	(21,249)
Unallocated finance costs	**(46,578)**	(39,370)
Consolidated loss before taxation	**(371,338)**	(145,811)

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**909,087**	968,806
Unallocated corporate assets	**471,097**	244,028
Consolidated total assets	**1,380,184**	1,212,834
Liabilities:		
Reportable segment liabilities	**624,334**	612,583
Unallocated corporate liabilities	**537,923**	171,084
Consolidated total liabilities	**1,162,257**	783,667

(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, leasehold land and land use rights, other intangible assets, goodwill and interest in an associate ("**specified non-current assets**"):

	Revenue from external customers		**Specified non-current assets**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (Place of domicile)	**792,713**	877,167	**375,321**	356,885
America	**422,750**	271,296	**–**	–
Europe	**23,414**	33,221	**–**	–
Asia Pacific	**29,051**	32,508	**–**	–
Taiwan	**–**	78,473	**–**	–
	1,267,928	1,292,665	**375,321**	356,885

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

(d) **Major customers**

During the year, the Group's customer base is diversified and there was no customer (2016: Nil) with whom transactions exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Fair value change of conversion option	**(208,031)**	4,250
Exchange (loss)/gain, net	**(9,109)**	5,984
Interest income	**4,529**	13,551
Valuation gains on investment properties	**2,534**	1,089
Gross rentals from investment properties and other rental income	**2,198**	3,062
(Loss)/gain on disposal of property, plant and equipment	**(722)**	135
Government subsidies	**578**	2,058
Written-off of other payables	**–**	1,274
Gain on disposal of subsidiaries and an associate	**–**	19,820
Others	**4,452**	8,711
	(203,571)	59,934

6 FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on convertible bonds	**39,977**	32,225
Interests on bank borrowings repayable within five years	**7,908**	8,660
	47,885	40,885

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2017 *RMB'000*	2016 *RMB'000*
Cost of inventories*	**888,124**	852,354
Write-down of inventories	**2,765**	5,416
	890,889	857,770
Depreciation of property, plant and equipment	**37,772**	35,794
Amortisation of leasehold land and land use rights	**1,069**	1,068
Amortisation of other intangible assets	**1,076**	635
Total depreciation and amortisation charges	**39,917**	37,497
Allowance for doubtful debts on trade receivables and other receivables	**7,143**	4,509
Impairment loss on goodwill	**–**	74,334
Impairment loss on other intangible assets	**5,302**	–
	12,445	78,843
Auditors' remuneration		
– audit services	**2,000**	2,600
Operating lease charges	**58,312**	64,340
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**269,699**	278,226
Retirement scheme contributions	**22,694**	19,406
Equity-settled share-based payments	**716**	5,963
Other benefits	**33,230**	16,901
Total employee benefit expenses	**326,339**	320,496

* Costs of inventories includes RMB68,901,000 (2016: RMB56,539,000) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

8 INCOME TAX

(a) Taxation in the consolidated statement of comprehensive income represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**4,269**	7,161
Under/(over)-provision in respect of prior year	**178**	(79)
	4,447	7,082
Deferred tax		
Origination and reversal of temporary differences, net	**(5,815)**	(4,575)
	(1,368)	2,507

(b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2017 and 2016. 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% (2016: 25%) for the year. One major PRC subsidiary of the Company, renewed the qualification of high and new technology enterprise in the PRC, is entitled to a preferential income tax rate of 15% (2016: 15%) for three years from 1 January 2017.

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

	2017	2016
	RMB'000	*RMB'000*
Loss before taxation	**(371,338)**	(145,811)
Tax calculated at applicable tax rate of 25% (2016: 25%)	**(92,835)**	(36,453)
Tax effect of non-deductible expenses	**1,518**	22,849
Unrecognised tax losses	**27,155**	16,284
Effect of preferential tax treatments and tax exemptions	**(2,384)**	(4,211)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**64,148**	3,604
Under/(over)-provision in respect of prior years	**178**	(79)
Land appreciation tax arising from the valuation on investment properties	**852**	513
Actual tax expense	**(1,368)**	2,507

9 DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil). No interim dividend was declared in respect of the year ended 31 December 2017 (2016: Nil).

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2017 is based on the loss attributable to ordinary equity shareholders of the Company of RMB315,465,000 (2016: RMB123,459,000) and the weighted average of 4,648,954,000 ordinary shares (2016: 4,576,332,000) in issue during the year, calculated as follows:

(i) Weighted-average number of ordinary shares

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**4,576,606**	4,576,006
Effect of share options exercised	**3,326**	326
Effect of conversion of convertible bonds	**69,022**	–
Weighted-average number of ordinary shares at 31 December	**4,648,954**	4,576,332

(b) Diluted loss per share

For the years ended 31 December 2017 and 2016, basic and diluted loss per share were the same as the effect of the potential ordinary shares including the Company's share options and convertible bonds are anti-dilutive.

11 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade receivables	**175,210**	168,175
Less: allowance for doubtful debts	**(13,578)**	(6,585)
	161,632	161,590

(i) The credit period to the Group's customers ranged from 0 to 120 days.

(ii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**6,585**	23,815
Additional allowance for the year	**7,103**	3,709
Disposal of subsidiaries	**–**	(20,939)
Written back	**(110)**	–
At the end of the year	**13,578**	6,585

As at 31 December 2017, the Group's trade receivables of RMB18,706,000 (2016: RMB12,000,000) were individually determined to be fully or partially impaired. Such trade receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none or only a portion of the receivables is expected to be recovered. Consequently, an accumulated allowance for doubtful debts of RMB13,578,000 (2016: RMB6,585,000) was made as at 31 December 2017. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current to 30 days	**73,132**	91,609
31 to 60 days	**49,084**	42,381
61 to 90 days	**22,822**	13,850
Over 90 days	**30,172**	20,335
	175,210	168,175
Less: allowance for doubtful debts	**(13,578)**	(6,585)
	161,632	161,590

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**128,218**	127,267
Less than 1 month past due	**22,740**	25,097
1 to 2 months past due	**5,546**	3,811
	28,286	28,908
	156,504	156,175

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Deposits, prepayments and other receivables

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Loans to Shenzhen Jiahong *(note (i))*	**123,500**	190,000
Loans to and interest receivable from Lifeng Dingsheng *(note (ii))*	**244,213**	–
Deposits and prepayments	**36,746**	40,028
Advances to employees	**15,748**	12,754
Value-added tax recoverable	**6,521**	4,013
Consideration receivables for disposal of a subsidiary	**3,847**	24,347
Others	**12,639**	14,308
	443,214	285,450
Less: allowance for doubtful debts	**(950)**	(800)
	442,264	284,650

(i) Loans to Shenzhen Jiahong

Included in the Group's deposits, prepayments and other receivables are loans to Shenzhen Jiahong Group Holdings Limited ("**Shenzhen Jiahong**") of RMB123,500,000 as at 31 December 2017 (2016: Loan of RMB190,000,000).

Following the entrusted loan of RMB100,000,000 provided to Shenzhen Jiahong on 29 December 2014, the Company, through its subsidiary, New Focus Lighting & Power Technology (Shanghai) Co., Ltd., provided further loans of RMB190,000,000 to Shenzhen Jiahong during 2015, among which RMB30,000,000 was treated as performance security to Shenzhen Jiahong in connection with a master purchase agreement.

In 2015, 2016 and 2017, Shenzhen Jiahong repaid the loans with amount of RMB40,000,000, RMB60,000,000 and RMB66,500,000, respectively. As at 31 December 2017, all the remaining loans and performance security are overdue. Such loans are subject to an annual interest of 12%, or a penalty interest of 0.05% per day if overdue.

As at 31 December 2017, such loans are:

- guaranteed by each of the two shareholders of Shenzhen Jiahong as sureties who collectively owned 85% equity interest in Shenzhen Jiahong as at 31 December 2017;
- guaranteed by thirteen subsidiaries owned by Shenzhen Jiahong as sureties;
- secured by the pledge of 100% of the shares in each of the two subsidiaries wholly owned by Shenzhen Jiahong; and
- secured by the pledge of 30% of shares in a mineral company which was indirectly owned as to 80% by one of the two principal shareholders of Shenzhen Jiahong.

Subsequent to 31 December 2017, the Group has received RMB115,734,000 from Shenzhen Jiahong. The remaining receivable balance is RMB7,766,000 as at the approval date of these consolidated financial statements, without taking in account the interest or penalty interest associated with the overdue loans.

(ii) Loans to and interest receivable from Lifeng Dingsheng

In December 2017, the Company entered into a loan agreement with Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd. ("**Lifeng Dingsheng**"), a company established in PRC and of which Mr. Du Jinglei acts as a director, to provide a loan with principal amount of HK$290,000,000 to Lifeng Dingsheng for a term of 12 months. The interest rate is 12% per annum.

12 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) Trade payables

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Current to 30 days	**119,415**	82,437
31 to 60 days	**55,976**	33,336
61 to 90 days	**17,264**	19,253
Over 90 days	**50,100**	50,615
	242,755	185,641

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

(b) Accruals and other payables

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Receipts in advance	**140,413**	114,529
Payroll payable	**23,552**	20,156
Other taxes payable	**4,486**	8,066
Receipt in advance from an investor	**188,975**	–
Others	**70,737**	65,911
	428,163	208,662

On 21 December 2017, the Company entered into two separate subscription agreements with two subscribers, pursuant to which the Company proposed to allot and issue an aggregate of 2,380,952,382 shares at HK$0.42 per share. The Company received a total amount of RMB188,975,000 in advance from one subscriber in December 2017, which was interest-free. The allotment and issuance of the shares by the Company is subject to the approval of the shareholders at an extraordinary general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2017, the Group focused on the automotive after-sales chain service in China to satisfy the comprehensive needs of numerous automotive users, taking the market-leading position in the industry.

Results Highlights

Revenue

For the year ended 31 December 2017 (the "**Year**"), the Group recorded a consolidated revenue of approximately RMB1,267,928,000 (2016: RMB1,292,665,000), representing a decrease of approximately 1.91%. Excluding the effect of a decrease of RMB204,501,000 in the consolidated revenue arising from the Company's disposal of equity interest in certain subsidiaries in 2016, the consolidated revenue of the Group recorded an increase of approximately RMB179,764,000 or approximately 16.52% as compared with 2016.

The consolidated revenue of the Group's retail service business amounted to approximately RMB364,310,000 (2016: RMB469,143,000), representing a decrease of approximately 22.35%. Due to the disposal of 100% of equity interest in each of New Focus Richahaus Corporation Limited, Taiwan New Focus Auto Service Corporation Limited, Shanghai New Focus Auto Repair Service Co., Ltd. and Shenzhen Yonglonghang Auto Service Ltd. in 2016 (the "**Disposal of Equity Interest in Certain Subsidiaries in Retail Service Business**"), the consolidated revenue decreased by approximately RMB127,874,000 as compared with 2016. Excluding such factor, the consolidated revenue of retail service business of the Group recorded an increase of approximately RMB23,041,000 or approximately 6.75% as compared with 2016, which was mainly attributable to the expansion of stores.

The consolidated revenue of the wholesale service business of the Group was RMB320,936,000 (2016: RMB401,541,000), representing a decrease of approximately 20.07%. Due to the Company's disposal of 51% equity interest in a subsidiary, Shanghai Astrace Trade Development Co., Limited (the "**Disposal of Equity Interest in Shanghai Astrace**", together with the Disposal of Equity Interest in Certain Subsidiaries in Retail Service Business, the "**Disposal of Equity Interest in Subsidiaries in 2016**"), the consolidated revenue decreased by approximately RMB76,627,000 as compared with 2016. Excluding such factor, the consolidated revenue of the wholesale service business of the Group recorded a decrease of approximately RMB3,978,000 or 1.22% as compared with 2016, which was mainly due to the strict selection of online and offline target partners of wholesale service business.

The consolidated revenue of the manufacturing business of the Group was approximately RMB582,682,000 (2016: RMB421,981,000), representing an increase of approximately 38.08%, which was mainly attributable to the sales of newly developed products and revenue generated from new customers brought by expansion of the domestic and foreign markets.

Gross profit and gross margin

The consolidated gross profit for the Year was approximately RMB222,355,000 (2016: RMB274,803,000), representing a decrease of approximately 19.09%. Excluding the effect of the decrease of RMB52,099,000 in the consolidated gross profit resulted from the Disposal of Equity Interest in Subsidiaries in 2016, the consolidated gross profit of the Group recorded a decrease of approximately 0.16% as compared with 2016, and the gross margin decreased from approximately 20.47% in 2016 to approximately 17.54% in 2017.

The gross profit of the Group's retail service business was approximately RMB73,664,000 (2016: RMB100,177,000), representing a decrease of approximately 26.47%, and its gross margin decreased from approximately 21.35% to approximately 20.22%. Due to the Disposal of Equity Interest in Certain Subsidiaries in Retail Service Business, the gross profit recorded a decrease of approximately RMB9,438,000 as compared with 2016. Excluding such factor, the gross profit decreased by approximately RMB17,075,000 and gross margin decreased from approximately 26.59% to approximately 20.22% as compared with 2016, mainly due to the fact that certain newly-established stores of the Group's retail service business were still at the growth stage.

The gross profit of the Group's wholesale service business was approximately RMB30,529,000 (2016: RMB81,010,000), representing a decrease of approximately 62.31%, and its gross margin decreased from approximately 20.17% to approximately 9.51%. Due to the Disposal of Equity Interest in Shanghai Astrace, the gross profit decreased by approximately RMB42,661,000 as compared with 2016. Excluding such factor, the gross profit decreased by approximately RMB7,820,000 and gross margin decreased from approximately 11.80% to approximately 9.51% as compared with 2016, mainly due to the promotion of online malls and decrease in the proportion of sales of products with high gross margin.

The gross profit of the Group's manufacturing business was approximately RMB118,162,000 (2016: RMB93,615,000), representing an increase of approximately 26.22%, and its gross margin was approximately 20.28% (2016: 22.18%). The decrease of gross margin was mainly attributable to the increase in raw material cost and labour cost and RMB appreciation.

Other revenue and gains and losses

Other losses for the Year were approximately RMB203,571,000 (2016: gains of RMB59,934,000). Due to the fair value change in embedded derivative financial instruments in relation to the convertible notes in the principal amount of US$35,000,000 due in 2019 (the "**CCBC Convertible Notes**"), which was issued to High Inspiring Limited (the "**Investor**", an indirect wholly-owned subsidiary of China Construction Bank Corporation), on 1 September 2017, the Company recorded a loss of RMB208,031,000 (the "**Loss Due to Fair Value Change in Derivative Financial Instruments for the Year**"). While in 2016, the Company recorded a gain of RMB4,250,000 on fair value change in conversion option in relation to the convertible notes issued to Haitong International Financial Products Limited. The difference in fair value change in 2017 as compared with 2016 was RMB212,281,000 (the "**Difference in Fair Value Change in Derivative Financial Instruments**"). In addition, the Company recorded an investment income of RMB18,840,000 in 2016 due to the Disposal of Equity Interest in Subsidiaries in 2016, while it did not record such investment income for the Year.

Expenses

Sales and marketing expenses for the Year were approximately RMB184,082,000 (2016: RMB213,738,000), representing a decrease of approximately 13.87%. The Disposal of Equity Interest in Subsidiaries in 2016 resulted in a decrease of sales and marketing expenses of approximately RMB54,562,000. Excluding such factor, sales and marketing expenses increased by approximately RMB24,906,000. It was mainly due to the increase in expenses of RMB16,037,000 arising from the expansion of the store network of the Group's retail service business and the increase in commission and delivery expense of RMB7,195,000 in aggregate arising from the revenue growth of the manufacturing business.

The administrative expenses for the Year were approximately RMB152,619,000 (2016: RMB149,492,000), representing an increase of approximately 2.09%. The Disposal of Equity Interest in Subsidiaries in 2016 resulted in the decrease in the administrative expenses of RMB25,267,000 for the Year. Excluding such factor, the administrative expenses increased by RMB28,394,000, mainly attributable to the expansion of the stores of retail service business of the Group which resulted in an increase of administrative expenses of RMB14,366,000 and the increased investment in the research and development of manufacturing business resulted in an increase of administrative expenses of RMB4,528,000.

Operating loss

The operating loss of the Group for the Year was approximately RMB323,453,000 (2016: operating loss of RMB104,926,000), of which RMB208,031,000 was the Loss Due to Fair Value Change in Derivative Financial Instruments for the Year and RMB5,302,000 was the impairment provision for intangible assets allocated to Changchun Guangda Automobile Trading Co., Ltd. ("**Changchun Guangda**"), a subsidiary of the Company, due to its failure to meet the anticipated operating results for the Year. The remaining operating losses of approximately RMB110,120,000 were mainly attributable to the growth-stage loss from newly-established stores of the Group's retail service business and the impact on the Group's retail service business and wholesale service business arising from irrational expansion of e-commerce competitors.

Finance costs

Net finance costs for the Year amounted to approximately RMB47,885,000 (2016: RMB40,885,000), representing an increase of approximately 17.12%. It was mainly attributable to the increased interest expenses relating to convertible notes for the Year as compared with 2016.

Taxation

Income tax expenses for the Year were approximately RMB(1,368,000) (2016: RMB2,507,000). The decrease in income tax expenses was mainly attributable to the impairment of the intangible assets of Changchun Guangda, which resulted in the reversal of deferred income tax liabilities in the Year and offsetting of the income tax expenses in the amount of RMB1,325,000.

Loss attributable to equity shareholders of the Company

Loss attributable to equity shareholders of the Company for the Year was approximately RMB315,465,000 (2016: RMB123,459,000). Excluding the following factors: the Difference in Fair Value Change in Derivative Financial Instruments; the decrease of RMB71,100,000 in impairment provision for goodwill and intangible assets as compared with 2016 due to Changchun Guangda's failure to meet anticipated operating results for the Year; and the Company's investment income of RMB18,840,000 in 2016, the loss attributable to equity shareholders of the Company increased by RMB31,985,000, which was mainly attributable to the growth-stage loss from newly-established stores of the Group's retail service business and the impact on the Group's retail service business and wholesale service business arising from irrational expansion of e-commerce competitors. Loss per share for the Year was approximately RMB6.79 cents (2016: RMB2.70 cents).

Financial Position and Liquidity

The Group continued to maintain a stable financial position during the Year and the liquidity of assets of the Group remained healthy. The Group had a net cash inflow from operating activities of approximately RMB26,731,000 (2016: net cash outflow of RMB33,078,000).

The non-current assets were approximately RMB445,846,000 as at 31 December 2017 (31 December 2016: RMB388,051,000).

The net current liabilities were approximately RMB205,651,000 as at 31 December 2017 (31 December 2016: net current assets RMB63,748,000). If the fair value change in conversion option of RMB132,200,000 included in the convertible bonds and the receipt in advance from customers of RMB125,370,000 are not included, which should not be settled by cash, the net current assets are approximately RMB51,919,000 as at 31 December 2017.

Gearing ratio calculated by dividing total liabilities by total assets was approximately 84.21% as at 31 December 2017 (31 December 2016: 64.61%). The rise in gearing ratio was mainly attributable to the Loss Due to Fair Value Change in Derivative Financial Instruments for the Year.

As at 31 December 2017, the total bank borrowings of the Group were approximately RMB157,051,000 (31 December 2016: RMB178,475,000), approximately 16.59% of which were made in USD and approximately 83.41% were made in RMB. All of the bank borrowings are repayable within one year and at fixed interest rates. The Group's need for borrowings was generally steady during the Year. The Group repaid or renewed the bank borrowings during the Year when they became due. As at 31 December 2017, committed borrowing facilities available to the Group but not drawn amounted to RMB77,000,000. The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation and capital expenditure.

Capital Structure

On 21 August 2017, the Company entered into a convertible note purchase agreement with the Investor, pursuant to which the Company conditionally agreed to issue and the Investor conditionally agreed to purchase the CCBC Convertible Notes. Assuming full conversion of the CCBC Convertible Notes at the initial conversion price of HK$0.306085 per share, the CCBC Convertible Notes will be convertible into approximately 886,191,744 shares of the Company. The net proceeds from the issue of CCBC Convertible Notes, after deducting all related fees and expenses, are approximately US$34,916,000. The issue of CCBC Convertible Notes was completed on 1 September 2017. Details of the aforementioned transaction are set out in the announcements of the Company dated 21 August 2017 and 8 September 2017.

Upon the receipt of two conversion notices dated 12 September 2017 and 28 September 2017, respectively, from the Investor, each for conversion of part of the CCBC Convertible Notes in the principal amount of US$5,000,000, the Company allotted and issued 126,598,820 conversion shares, respectively, to the Investor at the conversion price of HK$0.306085 per conversion share on 14 September 2017 and 3 October 2017, respectively.

On 21 December 2017, the Company entered into two separate subscription agreements with two subscribers, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for, an aggregate of 2,380,952,382 shares at the subscription price of HK$0.42 per share. The net proceeds from the subscriptions, after deducting all related fees and expenses, are expected to be approximately HK$965,000,000. An extraordinary general meeting will be convened and held for shareholders of the Company to consider and, if thought fit, approve the entering into of the aforementioned subscription agreements and the transactions contemplated thereunder. Details of the aforementioned subscriptions are set out in the announcement of the Company dated 21 December 2017.

As at 31 December 2017, the Group's total assets were RMB1,380,184,000 (31 December 2016: RMB1,212,834,000), comprising: (1) share capital of RMB398,481,000 (31 December 2016: RMB376,184,000), (2) reserves of RMB(180,554,000) (31 December 2016: RMB52,983,000), and (3) debts of RMB1,162,257,000 (31 December 2016: RMB783,667,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2017, the net book values of investment properties, property, plant and equipment and leasehold land and land use rights pledged as security for the Group's bank borrowings amounted to approximately RMB111,226,000 (31 December 2016: RMB107,516,000).

Material Acquisition and Disposal of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the Year.

Significant Investments

The Group had no significant investments during the Year. Please refer to the section "Events After the Reporting Period" of this announcement for the Group's plans for material investments or acquisition of business.

Exchange Risk

The Group's retail and wholesale service businesses were mainly conducted in the PRC and their settlement currency was RMB, so there was no exchange risk. As approximately 80% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in USD and most of the materials used to produce those exports were purchased in RMB, the depreciation of USD against RMB would normally adversely affect the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risk by making USD borrowings to minimize exchange risk. As at 31 December 2017, the amount of the Group's USD borrowings was approximately USD4,000,000.

In addition, the interests payable under the CCBC Convertible Notes, which are estimated to be USD1,796,000 and USD1,750,000 for the years of 2018 and 2019, respectively, will be paid out of the revenue generated from the export of the Group's manufacturing business. This will help hedge against the exchange risk faced by the Group's manufacturing business.

Other Material Risks and Uncertainties

The Group operates its major business in the PRC and faces other material risks and uncertainties, mainly including the future prospect of the PRC's economy. Should the PRC's economy suffer from downturn, the consumption sentiment of car owners will be affected, which will in turn reduce the revenue of the Group. The Group has adopted a development plan of establishing stores within gas stations with strategic partners to reduce its costs. It will pay close attention to the economic trend of the PRC and deal with those risks and uncertainties in a timely manner.

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2017, the Group employed a total of 3928 full-time employees (31 December 2016: 4,339), of which 552 (31 December 2016: 627) were managerial staff. The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements share option schemes as a long-term incentive scheme of the Group. Details of the share options scheme will be disclosed in the "Report of the Directors" of the Company's 2017 annual report to be published and despatched in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course. The Group emphasises the importance of staff development and provides training programmes on an ongoing basis with reference to its strategic objectives and performance of its staff.

Environmental Policies and Performance

The Group has been continuously promoting the establishment and improvement of environmentally friendly management mechanism and system. Those systems require all the employees of the Group to comply with the applicable environmental laws and regulations in their daily work. The relevant retail and service stores of the Group had obtained the approval from environmental protection authority prior to commencement of operation and strictly comply with applicable environmental laws and regulations in the subsequent operation to minimize the damages to the environment. The manufacturing business of the Group proactively incorporates the concept of environmental protection into the design and production process of the products, aiming at providing energy saving and environmentally friendly products to our customers. The Group encourages its employees to save energy and treasure resources.

Compliance with Laws and Regulations

During the Year, the Group has in all material respects complied with the relevant laws and regulations that have a significant impact on the operation of the Group which cover various aspects such as labor, fire prevention and environmental protection.

Relationship with Employees, Customers and Suppliers

The Group attaches great importance to its relationships with its employees, customers, suppliers and other relevant parties since such relationships are the core element for the Group's sustainable development. The Group adheres to the principle of legality, fairness, reasonableness and mutual benefit in its daily operation and duly handles its relationships with its employees, customers, suppliers and other relevant parties.

Events After the Reporting Period

Acquisition of 100% equity interest in Inner Mongolia Chuangying Automobile Co., Ltd.

On 2 March 2018, Ningbo Meishan Bonded Port Area Chifeng Investment Management Co., Ltd* (寧波梅山保税港區馳豐投資管理有限公司) as the purchaser, a wholly-owned subsidiary of the Company, and Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) as the vendor, entered into an equity transfer agreement for the acquisition of 100% of the equity interests in Inner Mongolia Chuangying Automobile Co., Ltd.* (內蒙古創贏汽車有限公司) which is wholly-owned by the vendor, at the consideration of RMB660,000,000, subject to the terms and conditions of the equity transfer agreement. Please refer to the announcement of the Company dated 2 March 2018 for more details about the acquisition.

Industry Development and Business Review

During the Year, the sales volume of passenger vehicles in the PRC was approximately 24.49 million, representing an increase of approximately 2% as compared with 2016. It is expected that the sales volume of passenger vehicles in the PRC will grow at a compound annual growth rate ("**CAGR**") of approximately 3% from 2018 to 2020. The sales of passenger vehicles in the PRC market continued to grow steadily, promoting a constant increase of retention of passenger vehicles. The sale value of the PRC automobile after-sales market for the Year amounted to approximately RMB1,000 billion and it is expected to grow at a CAGR of 14.2% from 2018 to 2020 and reach RMB1,500 billion in 2020. This is both a historic opportunity and a severe challenge in light of a fragmented automobile service industry.

Along with the increasing average age of passenger vehicles in the PRC, the proportion of vehicles with expired warranties which are in the peak of need for replacement of naturally ageing accessories (normally 5-10 years after sales) has been increasing. More and more vehicle owners have shifted to individual automotive after-sales service chain networks and e-commerce platforms for alternative maintenance and repair solutions that are more economical, reliable and secure. Currently, other than the large-scale 4S dealership groups and small-scale individual stores, large-scale economical automotive after-sales chain networks are very scarce. The strong demand for such economical chain networks in the market is materially similar to the consumption demand for budget hotel chains in the hospitality industry and the demand for fast-food chain consumption in the food and beverage industry in the PRC market. In mature markets, such as the U.S. and Japan, their development history of large-scale individual aftersales chain networks has also proven this development trend. The Group will continue to maintain our position of developing reasonably priced products, our operations of branded chains and our principles of standardized and customized servicing, to gradually increase the number of our individual after-sales service chain stores and branding influence of the Group.

In the meantime, there are more than 300,000 individual small-scale after-sales stores in the PRC market, of which the distribution of parts and accessories required in the maintenance and repair business still relies on the traditional dealership system and the distribution model in automotive parts malls, and the efficiency of supply chain is relatively low. For regular maintenance parts and accessories and modification products, there is a significant need for comprehensive one-stop suppliers for these small-scale after-sales stores to address the currently low efficiency of scattered supply chains. We consider that online product search and ordering, integrated categories of products and optimized one-stop storage and delivery are the main solutions to the problems in the supply of automotive parts and accessories to those small-scale individual stores. In the B2B field, the Group will provide one-stop parts and accessories wholesale and delivery service to those small-scale individual stores, through ordering via computers and mobile devices on the "Auto Make" e-commerce platform.

As at 31 December 2017, the Group had a total of 227 retail service stores, 9 wholesale service stores and 2 manufacturing factories.

The Group's Service Business

Based on the analysis of automobile after-sales market by the management, the Group focused on the expansion of individual automobiles service chain networks in the B2C field and the construction and expansion of the automotive products e-commerce platform "Auto Make" in the B2B field.

The Group's operating strategies implemented during the Year mainly include the following aspects:

Firstly, the Group steadily expanded its retail service network. The integrated service chain business of the Group focused its resources on gas station stores. Pursuant to the strategic cooperation agreement with Hubei Branch of Sinopec Chemical Products Sales Company ("**Sinopec**"), the Group and Sinopec Hubei jointly opened automobile retail service stores in the gas stations within the Sinopec Hubei network and maintained a leading position in terms of market share and brand awareness in the automobile after-sales market in Central China region. The Group also joined hands with Sinopec Tianjin, Sinopec Jiangxi, Sinopec Anhui, Sinopec Guangdong and Gansu Marketing Branch of PetroChina Company Limited ("**PetroChina**") and Beijing Marketing Branch of PetroChina and set up service stores.

Secondly, the Group invested a lot of resources to improve the e-commerce platform "Auto Make", with which the offline business has shifted to the online platform "Auto Make" substantially and new customers are being attracted. Targeting small retail service stores, the e-commerce platform provides customers with repair and maintenance products and the purchase, delivery and warehouse storage services of automotive products; and it also attracts relevant manufacturers and large-scale wholesalers to set up stores on the "Auto Make" platform for the purpose of providing the services of sales, collection of payment and delivery. Through these functions, the Group has set up an e-commerce platform combining a self-operated wholesale platform of the Group and third-party sales of automotive products.

The e-commerce platform "Auto Make" grew at a steady pace during the Year. The revenue generated from the self-operated business for the Year amounted to RMB230 million. At present, the e-commerce platform provides service for the three provinces in Northeast China, eastern Inner Mongolia, Zhejiang Province and Jiangsu Province, and it is expected to further expand to Beijing, Shanghai and Guangdong.

The Group's Manufacturing Business

Based on the Group's overall strategic deployment, the Group's manufacturing business has uplifted its product innovation and competitiveness by integrating internal supply chains, improving production efficiency and investing in research and development resources. While streamlining the existing market and customers, the Group also focused precisely on the target market and customer groups. The foreign trade business achieved a significant growth as compared with 2016 and the professional channel in respect of the domestic trade business began to take shape.

The strategic layout of the pre-installed new energy vehicle market has achieved initial success. The Group has established a research and development subsidiary in Shenzhen which dedicates to the development of new energy vehicle accessories and has successfully developed a series of new energy vehicle accessories, namely the pre-installed on-board charger module (OBC), on-board charging inverter integrated machine (DBC), and on-board DC/DC converter and on-board inverter (DC/AC) for electric vehicles. It has started to deliver the relevant accessories for certain electric vehicle models of Chery and Fukuda. At the same time, the Group is also conducting adaption towards the research and development of new energy vehicles for more manufacturers, and it is expected to continuously supply relevant accessories for more manufacturers' new energy vehicles in the coming years. With the explosive growth in the production and sales of domestic new energy vehicles, the Group will seize the significant opportunities brought about by the market changes and strive to become a key supplier of new energy vehicle battery charging and inverter modules. The Company expect that this business segment will experience explosive growth in the future.

Financing and Acquisition

While developing the Group's own business, the management also invested plenty of resources in exploring financing and acquisition opportunities in a bid to accelerate the expansion of the Group and enhance the Company's value in the capital market. With the unremitting efforts of the management, the Group successfully entered into subscription agreements with investors during the Year to expand the shareholder base of the Company and raise sufficient funds for the Group's subsequent development. Please refer to the announcement of the Company dated 21 December 2017 for further details of the subscriptions.

Meanwhile, in March 2018, the Group has entered into an equity transfer agreement with Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司), pursuant to which the Group intended to acquire certain 4S dealership stores with sound operation so as to expand the business scope of the Group. Upon the completion of the acquisition, it is expected that the Group will have a leading position in the 4S dealership stores in Inner Mongolia which is expected to be conducive to the revenue generating capacity and profitability of the Group.

The Group will continue to actively search for and negotiate with potential acquisition targets and cooperation partners, which will help achieve the strategic objectives of the Group.

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 "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the Year.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the Year, save and except for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang Jianxing acted as both the chairman and chief executive officer of the Company since 31 March 2016. Such deviation was due to the fact that the day-to-day management of the Group was led by Mr. Zhang Jianxing. The Board considers that such arrangement provided the Group with strong and consistent leadership, allowed for effective and efficient planning and implementation of business strategies and decisions.

In order to comply with code provision A.2.1, the Company has appointed Mr. Du Jinglei as the chairman and Mr. Lin Ming as the chief executive officer of the Company with effect from 15 September 2017.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company 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 the directors or relevant employees as defined in the Model Code. Having made specific enquiry to all Directors by the Company, all Directors confirmed that they had complied with the requirements set out in the Model Code during the Year.

AUDIT COMMITTEE

The Audit Committee comprises a total of three members, being two independent non-executive Directors, namely, Mr. Hu Yuming and Mr. Lin Lei, and one non-executive Director, namely, Mr. Wang Zhenyu. The chairman of the Audit Committee is Mr. Hu Yuming who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017 in conjunction with the Company's external auditors, KPMG, Certified Public Accountants ("**KPMG**"). The financial information set out in this announcement represents an extract from these consolidated financial statements.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2016: Nil).

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

During the Year, the Company did not repurchase any ordinary shares of the Company on the Stock Exchange under the general mandate granted at the annual general meeting held on 29 June 2017, and 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 29 June 2018 and the notice of annual general meeting will be published and despatched in accordance with the requirements under the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 26 June 2018 to 29 June 2018 (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 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, not later than 4:30 p.m. on 25 June 2018.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been compared by KPMG, to the amounts set out in the Group's audited financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

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 ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
New Focus Auto Tech Holdings Limited
Du Jinglei
Chairman

Hong Kong, 29 March 2018

As at the date hereof, the Directors of the Company are: executive Director – DU Jinglei; non-executive Directors – WANG Zhenyu, ZHANG Jianxing and Li Ngai; and independent non-executive Directors – HU Yuming, LIN Lei and ZHANG Xiaoya.

* *For identification purposes only*