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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)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION DISPOSAL OF 51% EQUITY INTEREST IN SHANGHAI ASTRACE

The Board announces that NFLP, a wholly owned subsidiary of the Company which directly owns the Target Interest, entered into the Equity Transfer Agreement with effect from 28 December 2016 with the Purchaser. Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire, and NFLP has agreed to sell, the Target Interest at the Consideration of RMB20,000,000 to be satisfied in cash.

As a result of the Disposal, Shanghai Astrace will cease to be a subsidiary of the Company.

As the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. As the Purchaser is a substantial shareholder and a director of Shanghai Astrace and therefore a connected person of the Company at the subsidiary level, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements since the Directors have approved the Disposal and the independent non-executive directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

I. INTRODUCTION

The Board announces that NFLP, a wholly owned subsidiary of the Company which directly owns the Target Interest, entered into the Equity Transfer Agreement with effect from 28 December 2016 with the Purchaser. Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire, and NFLP has agreed to sell, the Target Interest at the Consideration of RMB20,000,000 to be satisfied in cash.

II. EQUITY TRANSFER AGREEMENT

Date

The Equity Transfer Agreement took effect on 28 December 2016.

Parties

- (a) Purchaser: Ms. Liu Fengxi (劉鳳喜)
- (b) NFLP: New Focus Lighting & Power Technology (Shanghai) Company Limited, a wholly and indirectly owned subsidiary of the Company

Target Interest

Subject to the terms and conditions of the Equity Transfer Agreement, the Purchaser agreed to purchase, and NFLP agreed to sell, the Target Interest i.e. 51% equity interest held by NFLP in Shanghai Astrace.

Consideration

The Consideration of RMB20,000,000 was arrived at after arm's length negotiation between the Parties, and it is referenced to the value of net assets of Shanghai Astrace as at 30 June 2016 as shown in its management account. The Consideration is approximately 65% higher than RMB12,122,593, being the value of net assets of Shanghai Astrace attributable to the Company as at 30 June 2016.

In determining the Consideration, the Directors also considered the net profits of RMB578,248 and RMB3,485,020 of Shanghai Astrace for the two financial years ended 31 December 2014 and 2015 and the net profit of RMB1,536,425 of Shanghai Astrace for the six months ended 30 June 2016. The Directors do not expect the performance of Shanghai Astrace will improve substantially in the near future.

The Consideration is payable in cash, of which (i) RMB8,000,000 is payable on or before 30 December 2016 and (ii) RMB12,000,000 is payable within five business days upon the completion of industry and commerce registration in relation to the Disposal.

Completion

The completion of the Disposal is subject to industry and commerce registration in relation to the transfer of the Target Interest from NFLP to the Purchaser. NFLP shall coordinate with the Purchaser to update the register of shareholders of Shanghai Astrace and to apply for and complete the said industry and commerce registration, which is expected to take place on or before 30 December 2016. Upon completion of the Disposal, Shanghai Astrace will cease to be a subsidiary of the Company.

Others

The Purchaser shall be liable to pay NFLP liquidated damages which shall accrue on the overdue Consideration at the interest rate of 24% per annum if the Purchaser fails to settle the Consideration within the period specified in the Equity Transfer Agreement. NFLP shall be liable to pay the Purchaser liquidated damages which shall accrue on the amount of the Consideration that NFLP has received at the interest rate of 24% per annum if NFLP fails to assist in going through the industry and commerce registration in relation to the Disposal within the period specified in the Equity Transfer Agreement.

III. EXPECTED GAIN AND APPLICATION OF PROCEEDS

Expected Gain

A gain of approximately RMB7,877,407 was expected to accrue to the Group as the result of the Disposal. This gain was the difference between the Consideration and RMB12,122,593 which was the carrying value of the net assets of Shanghai Astrace attributable to the Company as at 30 June 2016.

Application of Proceeds

Proceeds from the Disposal will be used as general working capital of the Group.

IV. INFORMATION ON SHANGHAI ASTRACE

Shanghai Astrace was established on 11 August 2003 and is principally engaged in the wholesale of auto film. Shanghai Astrace currently has a registered capital of RMB12,000,000.

As at 30 June 2016, the net assets of Shanghai Astrace was approximately RMB23,769,790. The profits before and after taxation and extraordinary items of Shanghai Astrace for the two financial years ended 31 December 2014 and 2015 were RMB1,041,009, RMB578,248, RMB4,555,315 and RMB3,485,020, respectively.

V. REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the acquisition of Target Interest by the Company in June 2011, there has been increasingly intense competition and a continuous decline in average gross profit ratio in the auto film industry in which Shanghai Astrace primarily engages, resulting a

continuous decline in the gross profit ratio of primary business of Shanghai Astrace. The Directors estimate that the gross profit ratio of primary business of Shanghai Astrace will continue to stay at a relatively low level, and it is therefore unlikely that the performance of Shanghai Astrace will substantially improve in the near future. The Disposal is also consistent with the Group's overall strategy of focusing on the establishment and improvement of auto service chain store network within gas stations and the e-commerce portal of automotive products.

The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement is on normal commercial terms, and the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VI. INFORMATION ON THE PURCHASERS AND LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. As the Purchaser is a substantial shareholder and a director of Shanghai Astrace and therefore a connected person of the Company at the subsidiary level, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements since the Directors have approved the Disposal and the independent non-executive directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Equity Transfer Agreement.

VII. INFORMATION ON THE GROUP

The Group strives to become a leading enterprise in the automotive after-sales service market in China. The principal businesses of the Group are categorized into service business and manufacturing business. Our service business include the retail service business and wholesale service business which are committed to the establishment and improvement of auto service chain store network within gas stations and the professional business-to-business (B2B) distribution network and vertical e-commerce portal of automotive products (including electronic products and consumer goods), respectively, providing professional and convenient automotive aftermarket services at a low price-performance ratio to vehicle owners within Mainland China. Our manufacturing business is mainly engaged in the research and development, manufacturing and sales of automotive electronic and power products, which are mainly sold to the markets of Mainland China, North America and Europe.

VIII. DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Board”	means board of Directors
“Company”	means New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Consideration”	means RMB20,000,000, being the consideration for the sale and purchase of the Target Interest pursuant to the Equity Transfer Agreement
“Director(s)”	means the director(s) of the Company
“Disposal”	means the sale of Target Interest to the Purchaser by NFLP
“Equity Transfer Agreement”	means the Equity Transfer agreement which became effective on 28 December 2016 and was entered into between NFLP and the Purchaser for the purchase of the Target Interest by the Purchaser from NFLP
“Group”	means the Company and its subsidiaries
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“NFLP”	紐福克斯光電科技(上海)有限公司 (New Focus Lighting & Power Technology (Shanghai) Company Limited*), a wholly and indirectly owned subsidiary of the Company
“Parties”	means NFLP and the Purchaser, being the parties to the Equity Transfer Agreement
“PRC”	means the People’s Republic of China
“Purchaser”	means Ms. Liu Fengxi (劉鳳喜)
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shanghai Astrace”	上海追得貿易發展有限公司 (Shanghai Astrace Trade Development Company Limited*), a limited liability company established in the PRC which is owned as to 51% by the Company

“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“Target Interest”	means 51% equity interest in Shanghai Astrace
“%”	means per cent

By order of the Board
New Focus Auto Tech Holdings Limited
Zhang Jianxing
Chairman

Hong Kong, 28 December 2016

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

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