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 2016

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 2016 (the "**Year**") together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*4*	**1,292,665**	1,254,191
Cost of sales and services		**(1,017,862)**	(999,070)
Gross profit		**274,803**	255,121
Other revenue and gains and losses	*5*	**59,934**	55,124
Distribution costs		**(213,738)**	(198,621)
Administrative expenses		**(149,492)**	(143,331)
Impairment loss on goodwill		**(74,334)**	(28,003)
Finance costs	*6*	**(40,885)**	(37,713)
Share of loss of an associate		**(2,099)**	(5,879)
Loss before taxation	*7*	**(145,811)**	(103,302)
Income tax expenses	*8*	**(2,507)**	(645)
Loss for the year		**(148,318)**	(103,947)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	**2016** **RMB'000**	2015 RMB'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(8,403)**	(17,136)
Available-for-sale financial assets: net movement in the fair value reserve		**(325)**	325
Other comprehensive income for the year, net of tax		**(8,728)**	(16,811)
Total comprehensive income for the year		**(157,046)**	(120,758)
Loss for the year attributable to			
– Owners of the Company		**(123,459)**	(90,967)
– Non-controlling interests		**(24,859)**	(12,980)
		(148,318)	(103,947)
Total comprehensive income attributable to			
– Owners of the Company		**(132,187)**	(107,778)
– Non-controlling interests		**(24,859)**	(12,980)
		(157,046)	(120,758)
Loss per share	*10*		
Basic (RMB cents)		**(2.70)**	(2.41)
Diluted (RMB cents)		**(2.70)**	(2.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016
(Expressed in Renminbi)

	Note	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**182,450**	177,380
Leasehold land and land use rights		**30,221**	31,289
Investment properties		**43,864**	42,775
Goodwill		**43,919**	118,253
Other intangible assets		**56,038**	47,923
Interest in an associate		**393**	6,121
Deferred tax assets		**31,166**	21,196
Amounts due from related parties		**–**	6,991
		388,051	451,928
Current assets			
Inventories		**177,135**	196,143
Tax recoverable		**6**	274
Trade receivables	*11(a)*	**161,590**	130,742
Deposits, prepayments and other receivables	*11(b)*	**284,650**	335,729
Amounts due from related parties		**32,633**	3,603
Pledged time deposits		**4,500**	6,903
Available-for-sale financial assets		**–**	53,383
Cash and cash equivalents		**164,269**	140,327
		824,783	867,104
Current liabilities			
Bank borrowings, secured		**178,475**	216,325
Trade payables	*12(a)*	**185,641**	171,557
Accruals and other payables	*12(b)*	**208,662**	158,241
Tax payable		**4,423**	4,009
Convertible bonds		**183,834**	156,319
		761,035	706,451
Net current assets		**63,748**	160,653
Total assets less current liabilities		**451,799**	612,581

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2016
(Expressed in Renminbi)

	Note	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000*
Non-current liabilities			
Bank borrowings, secured		**–**	7,920
Deferred tax liabilities		**22,632**	19,948
		22,632	27,868
NET ASSETS		**429,167**	584,713
CAPITAL AND RESERVES			
Share capital		**376,184**	376,133
Reserves		**(21,897)**	100,784
Total equity attributable to owners of the Company		**354,287**	476,917
Non-controlling interests		**74,880**	107,796
TOTAL EQUITY		**429,167**	584,713

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 30 March 2017.

(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.

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 2016 is included in the follow:

(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 unit 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 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 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:

	2016	2015
	RMB'000	*RMB'000*
Sale of goods	**887,064**	838,260
Services income	**405,601**	415,931
	1,292,665	1,254,191

(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 *RMB'000*	The Wholesale Business *RMB'000*	The Retail Service Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2016				
Revenue				
External revenue	**421,981**	**401,541**	**469,143**	**1,292,665**
Inter-segment revenue	**271**	**884**	**687**	**1,842**
Segment revenue	**422,252**	**402,425**	**469,830**	**1,294,507**
Less: inter-segment revenue				**(1,842)**
Total revenue				**1,292,665**
Reportable segment results	**19,971**	**(7,089)**	**(133,780)**	**(120,898)**
Interest income	**402**	**1,182**	**309**	**1,893**
Unallocated interest income				**10,067**
Total interest income				**11,960**
Interest expenses	**(830)**	**–**	**(685)**	**(1,515)**
Unallocated interest expenses				**(39,370)**
Total interest expenses				**(40,885)**
Impairment loss on goodwill	**–**	**–**	**(74,334)**	**(74,334)**
Depreciation and amortisation charges	**(11,188)**	**(3,543)**	**(20,614)**	**(35,345)**
Unallocated depreciation and amortisation charges				**(2,152)**
Total depreciation and amortisation charges				**(37,497)**
Reportable segment assets	**411,644**	**134,909**	**422,253**	**968,806**
Total additions to non-current assets	**6,706**	**3,888**	**49,673**	**60,267**
Reportable segment liabilities	**245,733**	**76,524**	**290,326**	**612,583**

	The Manufacturing Business *RMB'000*	The Wholesale Business *RMB'000*	The Retail Service Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2015				
Revenue				
External revenue	416,219	356,062	481,910	1,254,191
Inter-segment revenue	827	428	4,121	5,376
Segment revenue	417,046	356,490	486,031	1,259,567
Less: inter-segment revenue				(5,376)
Total revenue				1,254,191
Reportable segment results	13,995	(8,971)	(75,094)	(70,070)
Interest income	263	603	131	997
Unallocated interest income				22,438
Total interest income				23,435
Interest expenses	(1,183)	–	(1,532)	(2,715)
Unallocated interest expenses				(34,998)
Total interest expenses				(37,713)
Impairment loss on goodwill	–	–	(28,003)	(28,003)
Depreciation and amortisation charges	(15,239)	(3,454)	(19,111)	(37,804)
Unallocated depreciation and amortisation charges				(2,475)
Total depreciation and amortisation charges				(40,279)
Reportable segment assets	384,161	151,809	506,045	1,042,015
Total additions to non-current assets	5,738	2,326	33,426	41,490
Reportable segment liabilities	274,128	66,596	245,367	586,091

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

	2016	2015
	RMB'000	*RMB'000*
Loss before income tax expense		
Reportable segment loss	**(120,898)**	(70,070)
Unallocated other revenue and gains and losses	**35,706**	40,600
Unallocated corporate expenses	**(21,249)**	(38,834)
Unallocated finance costs	**(39,370)**	(34,998)
Consolidated loss before income tax expense	**(145,811)**	(103,302)

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**968,806**	1,042,015
Unallocated corporate assets	**244,028**	277,017
Consolidated total assets	**1,212,834**	1,319,032
Liabilities:		
Reportable segment liabilities	**612,583**	586,091
Unallocated corporate liabilities	**171,084**	148,228
Consolidated total liabilities	**783,667**	734,319

(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**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (Place of domicile)	**877,167**	772,787	**356,885**	403,695
America	**271,296**	288,452	**–**	–
Europe	**33,221**	36,239	**–**	–
Asia Pacific	**32,508**	25,210	**–**	–
Taiwan	**78,473**	131,503	**–**	27,037
	1,292,665	1,254,191	**356,885**	430,732

The 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 (2015: Nil) with whom transactions exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Gross rentals from investment properties and other rental income	**3,062**	2,657
Interest income from bank deposits	**1,893**	1,837
Interest income from loans to Shenzhen Jiahong	**10,067**	21,598
Valuation gains on investment properties	**1,089**	742
Fair value change gain on derivative financial liability	**4,250**	19,330
Sale of scrap inventories and sample income	**449**	633
Government subsidies	**2,058**	107
Exchange gain, net	**5,984**	4,289
Written-off of other payables	**1,274**	394
Gain on disposal of subsidiaries and an associate	**19,820**	–
Gain on disposal of available-for-sale financial assets	**1,591**	898
Gain/(loss) on disposal of property, plant and equipment	**135**	(2,921)
Others	**8,262**	5,560
	59,934	55,124

6 FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interests on bank borrowings repayable		
– within five years	**8,660**	10,338
– after five years	**–**	180
Interest on convertible bonds	**32,225**	27,195
	40,885	37,713

7 LOSS BEFORE TAXATION

	2016	2015
	RMB'000	*RMB'000*
This is arrived at after charging:		
Cost of inventories*	**1,012,446**	993,741
Write-down of inventories	**5,416**	5,329
	1,017,862	999,070
Depreciation of property, plant and equipment	**35,794**	39,244
Amortisation of leasehold land and land use rights	**1,068**	1,035
Amortisation of other intangible assets	**635**	–
Total depreciation and amortisation charges	**37,497**	40,279
Additional allowance for doubtful debts on trade receivables and other receivables	**4,509**	2,138
Impairment loss on goodwill	**74,334**	28,003
	78,843	30,141
Auditors' remuneration		
– audit services	**2,600**	6,500
Operating lease charges	**64,340**	58,074
Employee benefit expenses (including Directors' remuneration)		
Salaries and allowances	**278,226**	244,617
Pension fund contributions	**19,406**	17,186
Equity-settled share-based payments	**5,963**	9,246
Other benefits	**16,901**	9,212
Total employee benefit expenses	**320,496**	280,261

* Costs of inventories includes RMB205,430,000 (2015: RMB191,104,000) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

8 INCOME TAX EXPENSES

(a) Amounts recognized in profit or loss

	2016	2015
	RMB'000	*RMB'000*
Current tax expense		
– Current year	**7,161**	6,211
– Adjustment for prior years	**(79)**	(76)
	7,082	6,135
Deferred tax expense		
– Origination and reversal of temporary differences, net	**(4,575)**	(5,490)
	(4,575)	(5,490)
	2,507	645

(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 2016 and 2015. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC and Taiwan income tax rate is 25% (2015: 25%) and 17% (2015: 17%) respectively for the year. One major PRC subsidiary of the Company, renewed the qualification of high and new technology enterprise in the PRC, is subject to an applicable national PRC income tax rate of 15% (2015: 15%) for three years from 1 January 2014.

(c) The income tax expense for the year can be reconciled to the loss before income tax expense per consolidated statement of comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
Loss before income tax expense	**(145,811)**	(103,302)
Tax calculated at applicable tax rate of 25% (2015: 25%)	**(36,453)**	(25,826)
Tax effect of non-deductible expenses	**22,849**	8,914
Utilisation of tax losses not previously recognised	**–**	(1,377)
Unrecognised tax losses	**16,284**	13,584
Effect of preferential tax treatments and tax exemptions	**(4,211)**	(4,633)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,604**	9,926
Over-provision in respect of prior years	**(79)**	(76)
Land appreciation tax arising from the valuation on investment properties	**513**	133
Income tax expense	**2,507**	645

9 DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil). No interim dividend was declared in respect of the year ended 31 December 2016 (2015: Nil).

10 LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss per share is based on the loss for the year attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares.

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

	2016	2015
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to the owners of the Company, used in the basic and diluted loss per share calculation	**(123,459)**	(90,967)

	2016	2015
Shares		
Weighted average number of ordinary shares for the basic loss per share calculation	**4,576,331,973**	3,770,249,117
Effect of dilution – weighted average number of ordinary shares:		
– Share options#	**–**	–
– Convertible bonds*	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**4,576,331,973**	3,770,249,117

The computation of diluted loss per share for the years ended 31 December 2016 and 2015 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in loss per share.

* The computation of diluted loss per share for the years ended 31 December 2016 and 2015 does not assume the conversion of the Company's convertible bonds issued to Haitong International Financial Products Limited ("**Haitong CBs**") since their exercises would result in a reduction in loss per share.

11 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Trade receivables	**168,175**	154,557
Less: allowance for doubtful debts	**(6,585)**	(23,815)
	161,590	130,742

(i) The credit period to the Group's trade debtors 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:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
At beginning of year	**23,815**	25,039
Additional allowance for the year	**3,709**	–
Disposal of subsidiaries	**(20,939)**	–
Uncollectible amounts written off	**–**	(1,224)
At end of year	**6,585**	23,815

As at 31 December 2016, the Group's trade receivables of RMB12,000,000 (2015: RMB33,831,000) 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 RMB6,585,000 (2015: RMB23,815,000) is made as at 31 December 2016. 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 2016 *RMB'000*	31 December 2015 *RMB'000*
Current to 30 days	**91,609**	61,605
31 to 60 days	**42,381**	43,761
61 to 90 days	**13,850**	13,369
Over 90 days	**20,335**	35,822
	168,175	154,557
Less: allowance for doubtful debts	**(6,585)**	(23,815)
	161,590	130,742

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

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Neither past due nor impaired	**127,267**	93,091
Less than 1 month past due	**25,097**	23,865
1 to 2 months past due	**3,811**	3,770
	28,908	27,635
	156,175	120,726

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 2016	31 December 2015
	RMB'000	*RMB'000*
Deposits and prepayments	**40,028**	49,178
Advances to employees	**12,754**	9,510
Value-added tax recoverable	**4,013**	7,068
Loans to and interest receivable from Shenzhen Jiahong	**190,000**	259,765
Consideration receivables for disposal of subsidiaries	**24,347**	–
Others	**14,308**	15,758
	285,450	341,279
Less: allowance for doubtful debts	**(800)**	(5,550)
	284,650	335,729

Included in the Group's deposits, prepayments and other receivables are loans to Shenzhen Jiahong Trading Development Co.,Ltd. ("**Shenzhen Jiahong**") of RMB190,000,000 as at 31 December 2016 (2015: Loan of RMB250,000,000 and relevant interest receivable of RMB9,765,000).

Following the entrusted loan of RMB100,000,000 provided to Shenzhen Jiahong on 29 December 2014 (the "**First Entrusted Loan**"), the Company, through its subsidiary, New Focus Lighting & Power Technology (Shanghai) Co., Ltd. ("**NFLP**"), 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 December 2015 and March 2016, Shenzhen Jiahong repaid the First Entrusted Loan with amount of RMB40,000,000 and RMB60,000,000, respectively. As at 31 December 2016, all the remaining loans and performance security are overdue. Such loans are subject to an annual interest of 12% and a penalty interest of 0.05% per day for the overdue loans and interests.

As at 31 December 2016, 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 2016;
- guaranteed by fifteen subsidiaries owned by Shenzhen Jiahong as sureties;
- secured by the pledge of 100% of shares in a subsidiary 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 shareholders of Shenzhen Jiahong.

The Directors expect that all the loans will be collected before the end of June 2017.

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 2016 *RMB'000*	31 December 2015 *RMB'000*
Current to 30 days	**82,437**	59,024
31 to 60 days	**33,336**	60,496
61 to 90 days	**19,253**	14,879
Over 90 days	**50,615**	37,158
	185,641	171,557

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

(b) Accruals and other payables

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Receipts in advance	**114,529**	69,816
Payroll payable	**20,156**	28,929
Other taxation payable	**8,066**	5,367
Others	**65,911**	54,129
	208,662	158,241

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2016, 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, the Group recorded a consolidated revenue of approximately RMB1,292,665,000 (2015: RMB1,254,191,000), representing an increase of approximately 3.07%.

The consolidated revenue of the Group's retail service business amounted to approximately RMB469,143,000 (2015: RMB481,910,000), representing a decrease of approximately 2.65%. The decrease was mainly due to the disposal of 100% of equity interest in each of the subsidiaries of the Company, New Focus Richahaus Corporation Limited ("**New Focus Richahaus**") and Taiwan New Focus Auto Service Corporation Limited ("**Taiwan New Focus**") in July 2016 (the "**Disposal of Equity Interest in New Focus Richahaus and Taiwan New Focus**"), resulting in a decrease in consolidated revenue of approximately RMB53,030,000 as compared with 2015. Excluding such factor, the consolidated revenue of retail service business of the Group recorded an increase of approximately RMB40,263,000 as compared to that of 2015, which was mainly attributable to the expansion of the Group's stores.

The consolidated revenue of the wholesale service business of the Group was RMB401,541,000 (2015: RMB356,062,000), representing an increase of approximately 12.77%. The increase was mainly attributable to the rapid development in e-commerce platform business conducted by subsidiaries of the Company, namely, Liaoning Xin Tian Cheng Industrial Co., Ltd ("**Liaoning XTC**") and Zhejiang Autoboom Industrial Co., Limited ("**Zhejiang Autoboom**"), since May 2015 and July 2016 respectively.

The consolidated revenue of the manufacturing business of the Group was RMB421,981,000 (2015: RMB416,219,000), representing an increase of approximately 1.38%, which was mainly attributable to the sales of new products developed.

Gross profit and gross margin

The consolidated gross profit of the Group for the Year was approximately RMB274,803,000 (2015: RMB255,121,000), representing an increase of approximately 7.71%. Gross margin increased from approximately 20.34% in 2015 to approximately 21.26% in 2016.

The gross profit of the Group's retail service business was approximately RMB100,177,000 (2015: RMB99,253,000), representing an increase of approximately 0.93%, and its gross margin increased from approximately 20.60% to approximately 21.35%. The increase in gross margin was mainly attributable to the increase in sales of products with high gross profit during the Year compared with 2015. Disposal of Equity Interest in New Focus Richahaus and Taiwan New Focus resulted in the decrease in gross profit of RMB7,246,000 as compared with 2015. Excluding such factor, the gross profit increased by approximately RMB8,170,000 as compared with 2015, which was mainly attributable to the expansion of the stores of the retail service business of the Group.

The gross profit of the Group's wholesale service business was approximately RMB81,010,000 (2015: RMB70,285,000), representing an increase of approximately 15.26%, and its gross margin increased from approximately 19.74% to approximately 20.17%, which was mainly attributable to the optimization of inventory cost management of the Company's subsidiary Zhejiang Autoboom.

The gross profit of the Group's manufacturing business was RMB93,615,000 (2015: RMB85,583,000), representing an increase of approximately 9.39%, and its gross margin was approximately 22.18% (2015: 20.6%). The increase of gross margin was mainly attributable to the optimization of product portfolio in the Group's manufacturing business, leading to an increase in the proportion of sales of products with high gross margin.

Other revenue and gains and losses

Other revenue and gains and losses for the Year were approximately RMB59,934,000 (2015: RMB55,124,000), representing an increase of approximately 8.73%. It was mainly attributable to the investment income of RMB18,840,000 ("**Investment Income during the Year**") received from the Disposal of Equity Interest in New Focus Richahaus and Taiwan New Focus, the disposal of 51% of equity interest in Shanghai Astrace Trade Development Co., Ltd. ("**Shanghai Astrace**"), the disposal of 100% equity interest in Shanghai New Focus Auto Repair Service Co., Ltd. and the disposal of 100% equity interest in Shenzhen Yonglonghang Auto Service Ltd., and a decrease of RMB15,080,000 in gain on fair value change in embedded derivative financial instruments in relation to the convertible bonds in the principal amount of US$25,000,000 which was issued to Haitong International Financial Products Limited ("**Haitong**") by the Company on 13 July 2015 ("**Haitong CBs**").

Expenses

Sales and marketing expenses for the Year were approximately RMB213,738,000 (2015: RMB198,621,000), representing an increase of approximately 7.61%. Disposal of Equity Interest in New Focus Richahaus and Taiwan New Focus resulted in the decrease of sales and marketing expenses of RMB8,773,000. Excluding such factor, sales and marketing expenses increased by approximately RMB23,890,000. It was due to the increase in expenses of RMB15,700,000 arising from the expansion of the store network of the Group's retail service business and the increase in marketing and promotional expenses of RMB6,058,000 arising from the increased marketing efforts by the wholesale service business to promote sales.

The administrative expenses for the Year were approximately RMB149,492,000 (2015: RMB143,331,000), representing an increase of approximately 4.30%. Compared with 2015, the administrative expenses decreased by approximately RMB5,624,000 due to the Disposal of Equity Interest in New Focus Richahaus and Taiwan New Focus. Excluding such factor, administrative expense increased by approximately RMB11,785,000, which was mainly attributable to the expansion of the stores of retail service business of the Group.

Operating loss

The operating loss of the Group was approximately RMB104,926,000 (2015: operating loss of RMB65,589,000), of which approximately RMB74,334,000 arose from the impairment loss on goodwill allocated to Changchun Guangda Automobile Trading Co., Ltd. ("**Changchun Guangda**"), a subsidiary of the Company due to its failure to meet anticipated business performance for the Year, while the remaining balance of approximately RMB30,592,000 was attributable to the initial loss from newly established stores of the retail service business of the Group and the impact on the Group's retail service business and wholesale service business arising from irrational expansion of e-commerce competitors.

The Company originally acquired 51% of equity interest in Changchun Guangda (the "**2012 Acquisition**") in October 2012. For details of such acquisition, please refer to the announcement of the Company dated 17 July 2012, the circular of the Company dated 23 September 2012 and the poll results announcement of the Company dated 23 October 2012. In January 2014, the Company entered into with the vendor a supplemental agreement in respect of the 2012 Acquisition to amend certain terms of the equity transfer agreement, details of which were disclosed in the announcement of the Company dated 29 January 2014. Changchun Guangda is principally engaged in the provision of comprehensive auto after-sales services, including auto cleaning, detailing, routine maintenance, body repair, modification and sale of auto accessories.

Changchun Guangda was expected to achieve an operational revenue and a net profit after taxation of RMB96,586,000 and RMB9,870,000 respectively for the Year. The actual performance fell short of the expectation and the operational revenue and the net profit after taxation for the Year were RMB77,943,000 and RMB1,677,000 respectively. The deteriorated business performance of Changchun Guangda was caused by: (a) the decrease in revenue from public service cars arising from the impact of reform on public service cars initiated by the PRC government; and (b) the irrational expansion of e-commerce competitiors resulting in business challenges to Changchun Guangda.

The Directors made an estimation of the recoverable amount of Changchun Guangda (as a cash-generating unit) based on value-in-use calculation which was also used in 2015. Cash flow forecasts based on financial budgets approved by the Company's management covering a five-year period are used for the calculation of the recoverable amount. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3%. The Directors also assumed that the growth rate does not exceed the long-term average growth rate for the industry in which Changchun Guangda operates.

The key assumptions used for value-in-use calculation are as follows:

	31 December 2016	31 December 2015
	%	%
Gross margin	**28-33**	25-40
Growth rate within the forecast period	**3-6**	6-17
Discount rate	**15**	15

The Directors determined the budgeted gross margin based on past performance and their expectation for market development. The weighted average growth rate used is consistent with the forecasts generally adopted in the respective industries. The discount rates used reflect specific risks relating to the relevant segment. The Directors are of the opinion that based on value-in-use calculation, goodwill associated with Changchun Guangda was impaired by RMB74,334,000 in order to state the carrying values to its recoverable amounts as at the end of the Year. The Company has engaged RHL Appraisal Ltd., an independent valuer, for the purpose of assessing the goodwill impairment.

Finance costs

Net finance costs amounted to approximately RMB40,885,000 (2015: RMB37,713,000), representing an increase of approximately 8.41%. It was mainly attributable to the increased interest expenses during the Year from the issuance of Haitong CBs in the principal amount of US$25,000,000 to Haitong.

Taxation

Income tax expenses were approximately RMB2,507,000 (2015: RMB645,000). The increase in income tax expenses was mainly attributable to the increase in profit before tax of certain profitable subsidiaries of the Company.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately RMB123,459,000 (2015: RMB90,967,000). Excluding the increase in the provision for goodwill impairment for Changchun Guangda of approximately RMB46,331,000 as compared with 2015, the loss attributable to owners of the Company decreased by RMB13,839,000 as compared with 2015, which was mainly attributable to the Investment Income during the Year. Loss per share was approximately RMB2.70 cents (2015: RMB2.41 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 outflow from operating activities of approximately RMB33,078,000 (2015: net cash outflow of RMB6,160,000).

The non-current assets were approximately RMB388,051,000 as at 31 December 2016 (31 December 2015: RMB451,928,000).

The net current assets were approximately RMB63,748,000 as at 31 December 2016 (31 December 2015: RMB160,653,000), with a current ratio of approximately 1.08 (31 December 2015: 1.23).

Gearing ratio calculated by dividing total liabilities by total assets was approximately 64.61% as at 31 December 2016 (31 December 2015: 55.67%).

As at 31 December 2016, the total bank borrowings of the Group were approximately RMB178,475,000 (31 December 2015: RMB224,245,000), approximately 23.40% of which were made in USD and approximately 76.60% were made is 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. Committed borrowing facilities available to the Group but not drawn as at 31 December 2016 amounted to RMB43,245,000. 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 5 July 2015, the Company entered into a subscription agreement with Haitong pursuant to which the Company has conditionally agreed to issue, and Haitong has conditionally agreed to subscribe for the Haitong CBs in an aggregate principal amount of US$25,000,000 (equivalent to approximately HK$194,500,000) due in 2017. Assuming full conversion of the Haitong CBs at the initial conversion price of HK$3.00 per share, the Haitong CBs will be converted into approximately 64,833,333 conversion shares. The net proceeds from the issue of the Haitong CBs, after deducting all related fees and expenses are approximately HK$192,500,000. The issue of Haitong CBs to Haitong was completed on 13 July 2015. Details of the transaction above were set out in the announcements of the Company dated 6 July 2015, 7 July 2015 and 13 July 2015.

As at 31 December 2016, the Group's total assets were RMB1,212,834,000 (31 December 2015: RMB1,319,032,000), comprising: (1) share capital of RMB376,184,000 (31 December 2015: RMB376,133,000), (2) reserves of RMB52,983,000 (31 December 2015: RMB208,580,000), and (3) debts of RMB783,667,000 (31 December 2015: RMB734,319,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2016, 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 RMB107,516,000 (31 December 2015: RMB128,528,000).

Material Disposal of Subsidiaries

Disposal of 51% of equity interest in Shanghai Astrace

NFLP, a wholly-owned subsidiary of the Company which indirectly held 51% of equity interest in Shanghai Astrace (the "**SA Interests**"), entered into an equity transfer agreement (the "**SA Equity Transfer Agreement**") with Ms. Liu Fengxi, with effect from 28 December 2016. Pursuant to the SA Equity Transfer Agreement, Ms. Liu Fengxi has agreed to acquire, and NFLP has agreed to sell, the SA Interests at the consideration of RMB20,000,000 to be satisfied in cash (the "**SA Disposal**"). Upon completion of the SA Disposal on 29 December 2016, Shanghai Astrace ceased to be a subsidiary of the Company. For further details, please refer to the announcement of the Company dated 28 December 2016.

Disposal of Equity Interest in New Focus Richahaus and Taiwan New Focus

Perfect Progress Investments Limited ("**PPI**"), a wholly-owned subsidiary of the Company which indirectly held 100% of equity interest in each of the New Focus Richahaus and Taiwan New Focus (collectively as the "**Target Interests**"), entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Asia Centre Auto Service Holdings Limited (the "**Purchaser**"), with effect from 19 July 2016. The Purchaser is wholly-owned by Ms. Hung Ying-Lien (洪瑛蓮), vice president of the Group and director of New Focus Richahaus and Taiwan New Focus. Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire, and PPI has agreed to sell, the Target Interests at the nominal consideration of NTD1 to be satisfied in cash (the "**Disposal**"). Upon completion of the Disposal on 29 July 2016, New Focus Richahaus and Taiwan New Focus ceased to be subsidiaries of the Company. For further details, please refer to the announcement of the Company dated 19 July 2016.

Significant Investments

The Group had no significant investments during the Year. The Group has no specific future plans for material investments or acquisition of business.

Exchange Risk

The Group's retail and wholesale service businesses were mainly in Mainland China 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, normally, the depreciation of USD against RMB would 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 2016, the amount of the Group's USD borrowings was approximately USD6,000,000.

Other Material Risks and Uncertainties

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

Contingent Liabilities

As at 31 December 2016, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2016, the Group employed a total of 4,339 (31 December 2015: 3,815) full-time employees, of which 627 (31 December 2015: 543) 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 2016 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 stresses 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 applicable environmental laws and regulations in their daily work. The relevant retail and service stores of the Group are subject to the approval of environmental protection administration prior to official 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 the employees to save energy and treasure the resources.

Compliance with Laws and Regulations

During the Year, the Group has complied in all material respects 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 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 as 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.

Industry Development and Business Review

The sales volume of passenger vehicles during the Year in the PRC was approximately 24 million, representing an increase of approximately 15% as compared with 2015. The sales of passenger vehicles in the PRC market continued to grow steadily, promoting a constant increase of retention of passenger vehicles. It is expected that the scale of the China automobile after-sales market will reach RMB1,000 billion in 2017, which is both a historical opportunity and a severe challenge in light of the segmentation of automobile after-sales market.

Along with increasing average age of passenger vehicles in China, 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 network and e-commerce platform to obtain more economic, reliable and secure maintenance and repair replacement programs. Currently, other than the large-scale 4S dealership groups and small-scale individual stores, the number of large-scale economic automotive after-sales chain network is extremely small. The strong demand for automotive after-sales services in China is materially similar to the demand for economic chain hotels in hotel industry and demand for fast-food chain consumption in beverage industry in China. In mature markets, such as the United States of America and Japan, their development history of large-scale individual after-sales chain network has also proved this development trend. The Group will continue to maintain our modest position and our principles of chain and branding operation and standardized and customized servicing, to gradually increase our numbers of individual after-sales chain retail stores and branding influence of the Group. It is expected that the scale and revenue of individual after-sales chain system of the Group will grow steadily.

In the meantime, there are more than 300,000 individual small-scale individual stores in China, of which the parts and accessories required in the maintenance and repair business has relied on the traditional dealership system and the distribution model in an automotive parts city, a supply chain of relatively low efficiency. For the popular maintenance parts and accessories and modification products, there is a significant need for comprehensive one-stop suppliers for small-scale after-sales stores to address the low efficiency of scattered supply chain at the current stage. We considered that the solutions of finding and ordering products on internet, integrated categories of products and optimized one-stop storage and delivery are the main development approach to the problems existed in the supply of automotive parts and accessories to those small-scale individual stores. The Group will provide one-stop parts and accessories wholesale and delivery service to those small-scale individual stores through ordering on computers and mobile devices with the foundation of "Auto Make" e-commerce platform in B2B field. Such business model the Group is expected to replace the traditional model of dealerships and distribution of automotive parts city at a quick pace while the scale and revenue of the business will also grow rapidly.

As at 31 December 2016, the Group had a total of 176 retail service stores, 10 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 chained network in B2C field and the construction and expansion of the automotive products e-commerce platform "Auto Make" in B2B field.

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

First, the Group steadily expanded its retail service network. The Group has disposed of over 40 retail stores in various districts in a large scale during the Year, which is mainly attributable to the consideration of the unity of commercial environment, sustainability of operation cycle and unity of service contents and the brand, which led to changes in revenue and number of retail stores correspondingly. The consolidated service chain business of the Group will focus the investment on gas station stores. Pursuant to the strategic cooperation agreement between the Group and Hubei Oil Products Branch of Sinopec Chemical Products Sales Company ("**Sinopec**"), the Group and Sinopec Hubei cooperated to establish automotive retail service stores at the gas stations within the Sinopec Hubei network. As at 31 December 2016, the number of automotive retail service stores jointly established by both parties reached 64, resulting in a significant increase of the Group's market share and brand recognition in the automotive after-sales market in central China region. Afterwards, the Group has also entered into the strategic cooperation agreements with Sinopec Tianjin, Sinopec Jiangxi, Sinopec Anhui, Sinopce Guangdong, Gansu Sales Branch Company of PetroChina Company Limited ("**PetroChina**"), and Beijing Sales Branch Company of PetroChina, and will gradually expand the scope of strategic cooperation with Sinopec and PetroChina.

The rentals of automotive service stores in urban areas are too high, which become a constraint to the further expansion of after-sales automotive chained business, and also the unity of the commercial environment and nature of property is a great challenge for chain replicating. Standardisation is a condition precedent to economies of scale, which is also a path to cope with the segmentation of the current automotive service industry. The Group has established gas station stores pursuant to the strategic cooperation with Sinopec and PetroChina, which made a breakthrough in the bottleneck point. The Group chose to commence the automotive after-sales service stores in gas stations with high traffic volume in urban areas. The land use right in the areas where the gas stations are located were owned by Sinopec and PetrolChina, or rented previously by Sinopec and PetrolChina at lower rentals and for a longer term. Accordingly, establishing gas station stores with Sinopec and PetrolChina helps the Group to benefit from the advantages in rent and adequate traffic flow which are not available to our competitors, as compared with self operation by the Group.

With more than 50,000 gas stations set up in China by Sinopec and PetrolChina, the Group has made breakthrough in the bottleneck of site selection of new retail stores which is normally faced by automotive after-sales chained corporation. In this regard, the Group will be able to substantially increase its pace in setting up retail service stores and level of standardization and gradually implement and optimize the layout of the Group's gas station stores in China. As at 31 December 2016, the number of stores established by the Group in Gansu, Jiangxi, Tianjin, Anhui and Guangdong was 67 in total.

Secondly, the wholesale business of the Group was integrated into the e-commerce business platform "Auto Make". The Group integrated the wholesale businesses of Liaoning XTC and Zhejiang Autoboom to exert the synergy of wholesale businesses in various aspects including products, channels and human resources for the purpose of increasing operation efficiency. The Group also invested more resources to improve the e-commerce platform "Auto Make", and obtained significant result. The originally offline business has been fundamentally transformed into the online platform "Auto Make", which become our foundation for developing new customers. Targeting small-scale and chain automotive after-sales service retail stores, the e-commerce platform provides customers with purchase, delivery and warehouse storage services of repair and maintenance products and automotive accessories, and it also attracts relevant manufacturers and large-scale wholesalers to set up stores on the "Auto Make" platform for the purpose of providing services such as 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 sales amount of e-commerce platform "Auto Make" during the Year grew at high pace, of which revenue generated from self-operated business reached over RMB300 million while the revenue generated from the transactions of "Auto Make" by the third parties reached over RMB100 million. The e-commerce platform is expected to continue to increase the sales amount of the Group significantly and enhance the Group's operation efficiency. At present, the e-commerce business platform has covered three provinces in Northeast China as well as Eastern Mongolia Region, Zhejiang Province and Jiangsu Province, and it is expected to further expand to Beijing, Shanghai, and Guangdong.

The operating strategy of the Group at this stage is to focus the resources on the development of its core business. In order to continuously provide various resources in aspects of manual labor and capital for the subsequent developments of gas station stores of the Group and the e-commerce platform "Auto Make", the Group has customized the current automotive after-sales chain network by disposing of certain automotive after-sales stores in Taiwan, Shenzhen and Shanghai and automotive film business of the Group for the purpose of focusing on the development of key advantageous business of the Group which meets the market features and demands of chained service and maximizing the expansion of resources and network coverage of the Group.

The Group's Manufacturing Business

Based on the effective and remarkable operation and management approaches in 2015, the Group has continually reviewed information regarding our target markets, customers and products, leading to an understanding of the customers' demand for products and the development trend of similar products in the international market. The Shenzhen R&D center, which is part of the Group's manufacturing business, focused on the field of the solutions for battery diversification of new energy automobiles and it effectively completed strategic setting for technology platform, production lines, supply chain systems, targeted customers and quality control systems, which help further strengthen the foundation of high business growth of the Group's manufacturing business.

Prospects

The Group will continue to adopt the following operational strategies for its service business:

First, the Group will expand the scope of cooperation with Sinopec and PetroChina. Leveraging on the demonstrative effects of retail service stores established at the gas stations within the Sinopec Hubei network, the Group will promote the cooperation model of the Group and Sinopec in the markets of other regions, and expand the scope of cooperation to the nationwide gas station network of Sinopec eventually. The Group will also further implement the cooperation agreements with PetroChina Gansu and PetroChina Beijing by replicating its partnership store set-up model with Sinopec in order to further expand and improve the retail service chain network of the Group.

Secondly, the Group will actively adjust the product portfolio of the Group's wholesale business; focus on automotive repair and maintenance products with rigid demand; improve logistics efficiency and service quality; enhance the proportion of e-commerce sales; and continue to improve its unified e-commerce platform "Auto Make", thereby enabling the Group to become an indispensable comprehensive supplier that provides integrated repair and maintenance products for automotive after-sales service stores in target markets.

Thirdly, 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 is 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.

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. Ying Wei. 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 2016 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 (2015: 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 24 June 2016, 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 2017 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 2017 to 29 June 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's 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 23 June 2017.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 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 2016 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
Zhang Jianxing
Chairman

Hong Kong, 30 March 2017

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.