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 2012

The board of directors (the "Board") 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 2012 together with the comparative figures for the previous year as follow:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** **RMB'000**	2011 *RMB'000*
Turnover	5	**1,397,885**	1,493,140
Cost of sales		**(1,003,715)**	(1,086,669)
Gross profit		**394,170**	406,471
Other revenue and gains and losses	6	**16,446**	18,557
Distribution costs		**(304,344)**	(226,468)
Administrative expenses		**(159,909)**	(93,009)
Impairment loss on goodwill	12	**(164,673)**	(155)
Impairment loss on other intangible assets	12	**(123,288)**	–
Impairment loss on property, plant and equipment	12	**(4,141)**	–
Finance costs	7	**(28,138)**	(19,630)
(Loss)/profit before income tax expense	8	**(373,877)**	85,766
Income tax expense	9	**16,017**	(25,251)
(Loss)/profit for the year		**(357,860)**	60,515
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations		**2,553**	(4,214)
Total comprehensive income for the year		**(355,307)**	56,301

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(324,262)**	28,127
Non-controlling interests		**(33,598)**	32,388
		(357,860)	60,515
Total comprehensive income for the year attributable to:			
Owners of the Company		**(322,125)**	24,668
Non-controlling interests		**(33,182)**	31,633
		(355,307)	56,301
(Loss)/earnings per share:	*11*		
– Basic (RMB cents)		**(47.40)**	4.91
– Diluted (RMB cents)		**(47.40)**	4.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**247,137**	219,100
Leasehold land and land use rights		**43,053**	17,688
Investment properties		**47,141**	46,764
Goodwill		**302,244**	285,992
Other intangible assets		**261,210**	336,275
Deferred tax assets		**2,859**	222
Prepayments for acquisition of land use right and property, plant and equipment		**1,133**	14,108
Prepayment for proposed acquisition of subsidiaries		**1,000**	1,500
		905,777	921,649
Current assets			
Inventories		**293,834**	310,469
Tax recoverable		**113**	1,260
Trade receivables	*13*	**193,200**	230,373
Deposits, prepayments and other receivables		**149,758**	98,275
Amounts due from related companies		**8,800**	11,064
Trading securities		**243**	243
Pledged time deposits		**8,588**	3,587
Cash and cash equivalents		**133,726**	326,840
		788,262	982,111
Current liabilities			
Bank borrowings, secured		**249,307**	175,549
Trade payables	*14*	**241,484**	215,701
Accruals and other payables		**155,091**	189,213
Amount due to a related party		**10,998**	1,000
Amounts due to non-controlling owners of subsidiaries		**14,704**	10,957
Renminbi-denominated bonds		**199,372**	–
Tax payable		**7,728**	10,178
		878,684	602,598
Net current (liabilities)/assets		**(90,422)**	379,513
Total assets less current liabilities		**815,355**	1,301,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AS AT 31 DECEMBER 2012

	2012	2011
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings, secured	**13,648**	11,898
Renminbi-denominated bonds	**–**	197,879
Convertible bonds	**129,881**	122,261
Deferred tax liabilities	**67,792**	86,524
Consideration payables	**78,346**	7,002
	289,667	425,564
Net assets	**525,688**	875,598
CAPITAL AND RESERVES		
Share capital	**59,443**	58,256
Reserves	**224,913**	559,397
Equity attributable to owners of the Company	**284,356**	617,653
Non-controlling interests	**241,332**	257,945
Total equity	**525,688**	875,598

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

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 Group is 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendment to HKFRSs – first effective on 1 January 2012

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle[2]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS27 (2011)	Investment entities[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2009–2011 Cycle

The improvements made amendments to the following standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRSs. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(Continued)*

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(Continued)*

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3. BASIS OF PREPARATION

Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost basis, as modified for the revaluation of investment properties, trading securities and contingent consideration payables which were carried at fair value.

During the year, the Group has incurred a loss of approximately RMB357,860,000 and at the end of reporting period, the Group's and the Company's current liabilities exceeded the current assets by approximately RMB90,422,000 and RMB97,797,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern, and therefore the Group and the Company may not be able to realise assets and discharge liabilities in the normal course of business. The directors of the Company ("Directors") plans to improve the Group's and the Company's financial performance by undertaking the following measures:

(i) The Group is in the progress of proactive negotiation with the banks and financial institutions to fully refinance the Company's Renminbi-denominated bonds with the principal amount of RMB200,000,000 which would be due for repayment in August 2013. As at the date of this announcement, the Company successfully obtained a proposal from a bank in connection with the obtaining of a syndicated loan facility of US$45,000,000 (equivalent to approximately RMB283,550,000) to the Group with a maturity of 3 years from the date of drawdown. The Directors believe that this refinancing plan will be successful.

(ii) The Group undertakes an extensive restructuring program to reduce operating costs which includes taking steps to reduce discretionary expenses and administrative costs.

3. BASIS OF PREPARATION *(Continued)*

Basis of measurement and going concern assumption *(Continued)*

The Directors also took into accounts of undrawn committed banking facilities of approximately RMB217,628,000 available to the Group as at 31 December 2012 in respect of which all conditions precedent were met.

Having regard to the cash flow projection of the Group, the Directors are of the opinion that, in light of the above measures and considerations, the Group and the Company will have sufficient resources to satisfy future working capital and other financing requirements for twelve months from the end of the reporting period. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group and the Company be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not yet been reflected in the financial statements.

4. 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 in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical judgments in applying accounting policies *(Continued)*

(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.

(iii) Going concern

These financial statements have been prepared on a going concern basis and the details are explained in Note 3.

(b) Key sources of estimation uncertainty

(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 the Directors 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) 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.

(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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iv) 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.

(v) Estimate of the contingent consideration payable based on post-acquisition performance of the subsidiaries

In connection with the acquisition of subsidiaries, the contingent consideration payable is based on post-acquisition performance of the subsidiaries and other marketing conditions.

5. TURNOVER AND SEGMENT INFORMATION

Turnover, which is also revenue, represents the sales value of goods supplied and services provided to customers and is analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Sale of goods	**938,348**	1,071,486
Service income	**459,537**	421,654
	1,397,885	1,493,140

(a) Reportable segments

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

The Group operates in two reportable segments: (i) the manufacture and sale of automobile accessories; and (ii) the provision of automobile repair, maintenance and restyling services and trading of automobile accessories.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

5. **TURNOVER AND SEGMENT INFORMATION** *(Continued)*

(a) **Reportable segments** *(Continued)*

Set out below is an analysis of information of these segments:

2012

	Manufacture and sale of automobile accessories *RMB'000*	Provision of automobile repair, maintenance and restyling services and trading of automobile accessories *RMB'000*	Consolidated *RMB'000*
RESULTS:			
External sales revenue	391,836	1,006,049	1,397,885
Inter-segment sales revenue	171,255	36,997	208,252
Reportable segment revenue	563,091	1,043,046	1,606,137
Less: Inter-segment elimination			(208,252)
			1,397,885
Reportable segment results	(2,775)	(322,371)	(325,146)
Interest income	128	963	1,091
Unallocated interest income			367
Total interest income			1,458
Interest expenses	(1,457)	(2,073)	(3,530)
Unallocated interest expenses			(24,608)
Total interest expenses			(28,138)
Impairment loss on goodwill	–	(164,673)	(164,673)
Impairment loss on other intangible assets	–	(123,288)	(123,288)
Impairment loss on property, plant and equipment	–	(4,141)	(4,141)
Depreciation and amortisation charges	(17,474)	(29,403)	(46,877)
Unallocated depreciation and amortisation charges			(9)
Total depreciation and amortisation charges			(46,886)
Reportable segment assets	413,738	1,229,352	1,643,090
Total additions to non-current assets	19,783	53,380	73,163
Reportable segment liabilities	323,445	509,162	832,607

5. **TURNOVER AND SEGMENT INFORMATION** *(Continued)*

(a) **Reportable segments** *(Continued)*

2011

	Manufacture and sale of automobile accessories *RMB'000*	Provision of automobile repair, maintenance and restyling services and trading of automobile accessories *RMB'000*	Consolidated *RMB'000*
RESULTS:			
External sales revenue	481,064	1,012,076	1,493,140
Inter-segment sales revenue	29,693	30,004	59,697
Reportable segment revenue	510,757	1,042,080	1,552,837
Less: Inter-segment elimination			(59,697)
			1,493,140
Reportable segment results	12,069	99,012	111,081
Interest income	234	769	1,003
Unallocated interest income			434
Total interest income			1,437
Interest expenses	(11,192)	(2,810)	(14,002)
Unallocated interest expenses			(5,628)
Total interest expenses			(19,630)
Depreciation and amortisation charges	(18,737)	(18,638)	(37,375)
Unallocated depreciation and amortisation charges			(31)
Total depreciation and amortisation charges			(37,406)
Reportable segment assets	399,630	1,351,778	1,751,408
Additions to non-current assets	10,607	43,483	54,090
Unallocated additions to non-current assets			8
Total additions to non-current assets			54,098
Reportable segment liabilities	264,519	387,169	651,688

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

	2012	2011
	RMB'000	*RMB'000*
(Loss)/profit before income tax expense:		
Reportable segment (loss)/profit	**(325,146)**	111,081
Unallocated other revenue and gains and losses	**558**	583
Unallocated corporate expenses	**(24,681)**	(20,270)
Unallocated finance costs	**(24,608)**	(5,628)
Consolidated (loss)/profit before income tax expense	**(373,877)**	85,766

	2012	2011
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**1,643,090**	1,751,408
Unallocated corporate assets	**50,949**	152,352
Consolidated total assets	**1,694,039**	1,903,760
Liabilities:		
Reportable segment liabilities	**832,607**	651,688
Unallocated corporate liabilities	**335,744**	376,474
Consolidated total liabilities	**1,168,351**	1,028,162

(c) Geographical segments

Segment revenue from external customers of the Group and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets") by geographical locations is presented as below:

	Revenue from external customers		**Specified non-current assets**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (Place of domicile)	**911,895**	858,011	**824,465**	876,079
America	**246,039**	331,137	**–**	–
Europe	**33,184**	47,330	**–**	–
Asia Pacific	**24,314**	40,145	**–**	–
Taiwan	**182,453**	216,517	**78,453**	45,348
	1,397,885	1,493,140	**902,918**	921,427

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

5. **TURNOVER AND SEGMENT INFORMATION** *(Continued)*

(d) Major customers

During the year, the Group's customer base is diversified and there was no customer (2011: Nil) with whom transactions exceeded 10% of the Group's revenues.

6. OTHER REVENUE AND GAINS AND LOSSES

	2012	2011
	RMB'000	*RMB'000*
Gross rentals from investment properties and other rental income (Outgoing: RMBNil (2011: RMBNil))	**5,104**	6,785
Interest income from bank deposits	**1,458**	1,437
(Loss)/gain on disposal of property, plant and equipment	**(150)**	641
Fair value gain on investment properties	**377**	659
Sale of scrap inventories and sample income	**495**	1,589
Government subsidies	**2,586**	2,490
Compensation income from lessors on early termination of operating leases	**174**	508
Sponsorship income	**395**	1,145
Gain on de-registration of a subsidiary	**–**	50
Exchange gains, net	**323**	–
Gain on change in fair value of contingent consideration payable for acquisition of a subsidiary	**3,281**	–
Others	**2,403**	3,253
	16,446	18,557

7. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable		
– within five years	**11,283**	15,307
– after five years	**221**	–
Imputed interest on Renminbi-denominated bonds	**9,014**	3,722
Imputed interest on convertible bonds	**7,620**	601
	28,138	19,630

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
This is arrived at after charging/(crediting):		
Exchange (gains)/losses, net	**(323)**	3,138
Cost of inventories	**310,614**	378,726
Cost of services	**677,464**	707,137
Impairment of inventories	**15,637**	806
	1,003,715	1,086,669
Depreciation of property, plant and equipment	**45,857**	36,130
Amortisation of:		
Leasehold land and land use rights	**804**	494
Other intangible assets*	**225**	782
Total depreciation and amortisation charges	**46,886**	37,406
Additional allowance for doubtful debts on trade receivables	**13,879**	5
Auditors' remuneration	**2,075**	1,338
Fair value loss on trading securities	**–**	39
Employee benefit expenses (including directors' remuneration):		
Salaries and allowances	**200,763**	150,145
Pension fund contributions	**20,941**	19,122
Equity-settled share-based payments	**150**	250
Compensation for loss of office of a director	**2,000**	–
Other benefits	**9,930**	10,724
Total employee benefit expenses	**233,784**	180,241

* Included in administrative expenses.

9. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2012 ***RMB'000***	2011 *RMB'000*
Current tax		
– Provision for the year		
PRC	**13,361**	22,988
Taiwan	**708**	2,140
– Under-provision/(over-provision) in respect of prior years	**2,926**	(77)
	16,995	25,051
Deferred taxation		
– attributable to the origination and reversal of temporary differences, net	**(33,143)**	(61)
– resulting from change in tax rate	**131**	261
	(16,017)	25,251

10. DIVIDEND

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: RMB Nil). No interim dividend was declared in respect of the year ended 31 December 2012 (2011: RMB Nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit 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)/earnings per share is based on the (loss)/profit 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 during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2012 ***RMB'000***	2011 *RMB'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(324,262)**	28,127

11. (LOSS)/EARNINGS PER SHARE *(Continued)*

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares for the basic (loss)/earnings per share calculation*	**684,118,000**	572,965,000
Effect of dilution – weighted average number of ordinary shares:		
Share options #	**–**	6,091,000
Convertible bonds *	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**684,118,000**	579,056,000

The computation of diluted loss per share for the year ended 31 December 2012 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

* As convertible bonds are mandatorily convertible into ordinary shares of the Company, the ordinary shares to be issued upon conversion of the convertible bonds are included in the computation of basic (loss)/earnings per share for the year.

12. IMPAIRMENTS

The Group had originally anticipated that there would be significant growths in certain cash-generating units (CGUs) as at the respective dates of acquisition. However, in the current year, the growth rates of these CGUs especially in certain regions had been slower than expected. The Directors are of the opinion, based on value-in-use calculations, that goodwill, other intangible assets, and property, plant and equipment associated with certain CGUs were impaired by RMB164,673,000 (2011: RMB155,000), RMB123,288,000 (2011: RMB Nil), and RMB4,141,000 (2011: RMB Nil) respectively in order to state the carrying values to their recoverable amounts as at the end of respective reporting periods.

13. TRADE RECEIVABLES

(i) The average credit period to the Group's trade debtors is 30 days.

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

The Group

	2012	2011
	RMB'000	*RMB'000*
Current to 30 days	**49,702**	136,317
31 to 60 days	**56,517**	45,222
61 to 90 days	**30,488**	25,394
Over 90 days	**71,410**	24,478
	208,117	231,411
Less: allowance for doubtful debts	**(14,917)**	(1,038)
	193,200	230,373

14. TRADE PAYABLES

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

	2012	2011
	RMB'000	*RMB'000*
Current to 30 days	**109,282**	139,033
31 to 60 days	**40,104**	29,855
61 to 90 days	**37,524**	11,715
Over 90 days	**54,574**	35,098
	241,484	215,701

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

15. SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

(i) On 18 February 2013, the Group entered into a share purchase agreement with two non-controlling owners of New Focus Richahaus Co., Ltd. ("Richahaus") to acquire approximately 18.68% of the total issued share capital of Richahaus at the aggregate consideration of NTD42,029,326 (equivalent to approximately RMB9,095,000) in cash. Upon completion, the Group will hold 100% equity interest in Richahaus.

(ii) On 18 February 2013, the Group entered into a supplemental agreement with the vendors of equity interest in Hubei Autoboom Auto Accessories Supermarket Co., Ltd. (Hubei Autoboom") which was a 51%-owned subsidiary of the Group as at the end of the reporting period, pursuant to which, the Group and the vendors agreed that the remaining consideration payable amount of approximately RMB27,621,000 is to be satisfied by RMB4,000,000 in cash and the remaining approximately RMB23,621,000 by way of issuance of 29,749,744 new shares of the Company. On 1 March 2013, 29,749,744 new shares of the Company have been issued.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expresses an unqualified opinion in the independent auditor's report, but wishes to draw attention by adding the emphasis of matter as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements which indicates that the Group incurred a loss for the year of approximately RMB357,860,000 for the year ended 31 December 2012 and, as of that date, the Group's and the Company's current liabilities exceeded the current assets by approximately RMB90,422,000 and RMB97,797,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2012, the Group focused on the construction of automotive chain service network in the Greater China region, based on channel construction and branding promotion as well as B2C retails service, providing and satisfying the basic needs of numerous automotive users, taking the market-leading position in the industry.

Results Highlights

Revenue

For the year ended 31 December 2012, the Group recorded a consolidated turnover of approximately RMB1,397,885,000 (2011: RMB1,493,140,000), representing a decrease of approximately 6.4%.

The consolidated turnover of the Group's service business amounted to approximately RMB1,006,049,000 (2011: RMB1,012,076,000), representing a decrease of approximately 0.6%. The decrease was attributable to the on-going depressed global economy. Although layout design of the retail stores and innovative operation model achieved success and brought a significant improvement in operation result, the overall performance has still been impacted.

For the year ended 31 December 2012, the consolidated turnover of the Group's manufacturing business amounted to approximately RMB391,836,000 (2011: RMB481,064,000), representing a decrease of approximately 18.5%. The decrease in the consolidated turnover was due to the inappropriate management of former management team, which resulted in loss of orders. After the appointment of the new management team, the performance of manufacturing business was improving remarkably.

Gross profit and gross margin

The consolidated gross profit of the Group was approximately RMB394,170,000 in 2012 (2011: RMB406,471,000), down approximately 3%. Gross margin increased from approximately 27.2% in 2011 to approximately 28.2% in 2012.

The gross profit of the Group's service business was approximately RMB316,532,000 (2011: RMB304,133,000), representing an increase of approximately 4.1%, while its gross margin was approximately 31.5% (2011: 30.1%). The increase in gross margin was due to a thoroughly reconstructive strategy changing the composition of existing business. Moreover, styling services which enjoys high gross profit was included into the service section of the Group. Therefore, the revenue was greatly enhanced and a high share in the market was maintained.

The gross profit of the Group's manufacturing business was approximately RMB77,638,000 (2011: RMB102,338,000), representing a decrease of approximately 24.1%, while its gross margin was approximately 19.8% (2011: 21.3%). The decrease in the gross margin of the Group's manufacturing business was due to the cancellation of the export tax rebate for certain products since May 2011 in Mainland China, the relatively higher fixed cost in manufacturing industry as well as decrease in turnover during the year.

Expenses

Sales and marketing expenses for the year were approximately RMB304,344,000 (2011: RMB226,468,000), representing a growth of approximately 34.4%. The increase was mainly attributable to the expense arising from implementation of integration and renewal of brand name, reformation on stores as well as change of store signboards.

The administrative expenses for the year were approximately RMB159,909,000 (2011: RMB93,009,000), representing an increase of approximately 71.9%. The increase was mainly due to expenses arising from dismissal of former management team and appointment of new management team.

Operating loss

The operating loss of the Group was approximately RMB345,739,000 (2011: operating profit of RMB105,396,000). The long term asset such as goodwill and intangible assets arising from mergers and acquisitions, the impairment of current assets such as inventories and receivables caused the Group to incur operating loss of RMB322,832,000. During the year, the sales and marketing expense and administrative expenses also increased significantly.

Finance costs

Net finance costs amounted to approximately RMB28,138,000 (2011: RMB19,630,000), representing an increase of approximately 43.3%. It was mainly attributable to the increase in interest expense arising from bank loans for mergers and acquisitions of the Group. The Group issued convertible bonds of USD38,201,000 in December 2011. The interest expense during the year amounted to RMB7,620,000.

Taxation

Income tax expenses were approximately minus RMB16,017,000 (2011: RMB25,251,000). If effect of impairment of long-term asset recognized during the year on the income tax expense was not taken into account, income tax expenses from operation was RMB14,101,000 during the year.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately RMB324,262,000 (2011: profit of approximately RMB28,127,000). The loss attributable to owners of the Company arising from impairment of long term assets such as goodwill and intangible assets, and impairment of current assets such as inventory and account receivables resulting from mergers and acquisitions was RMB243,443,000. Loss per share was approximately RMB47.40 cents (2011: profit per share of RMB4.91 cents).

Financial Position and Liquidity

For the year ended 31 December 2012, the Group maintained a stable financial position and the liquidity of assets of the Group remained healthy. The Group recorded a net operating cash outflow of approximately RMB84,296,000 (2011: outflow RMB25,543,000).

The non-current assets were approximately RMB905,777,000 (31 December 2011: RMB921,649,000).

The net current liabilities were approximately RMB90,422,000 as at 31 December 2012 (31 December 2011: net current assets of RMB379,513,000), with a current ratio of approximately 0.90 (31 December 2011: 1.63).

Gearing ratio calculated by dividing total liabilities by total assets was approximately 68.97% as at 31 December 2012 (31 December 2011: approximately 54.01%). As at 31 December 2012, the total bank borrowings of the Group were approximately RMB262,955,000 (31 December 2011: RMB187,447,000).

The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation, capital expenditure, merger and acquisition activities and future investment opportunities for further expansion to the domestic market of the Greater China region.

Financial Guarantees and Pledge of Assets

As at 31 December 2012, 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 RMB138,679,000 (31 December 2011: RMB119,468,000).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Acquisition of 12% equity interest in Zhejiang Autoboom and revocation of acquisition

On 30 March 2012, the Company entered into an equity transfer agreement with the minority shareholders (the "Minority Shareholders") of Zhejiang Autoboom Industrial Co., Ltd. (浙江歐特隆實業有限公司) ("Zhejiang Autoboom"), pursuant to which the Company acquired 12% equity interest in Zhejiang Autoboom at a consideration of RMB37,247,000. As the Group was committed to expand its service retail chain in the Greater China thereafter, the Company entered into a revocation agreement with the Minority Shareholders on 7 December 2012 to revoke the acquisition with a view to focusing its fund on the establishment of retail service chain system. After the completion of such revocation agreement on 20 December 2012, the Company's indirect equity interest in Zhejiang Autoboom decreased from 63% to 51%.

Acquisition of 100% equity interest in Mighty International and revocation of acquisition

On 30 March 2012, the Company entered into an equity transfer agreement with the shareholders (the "Transferor") of Mighty International Limited ("Mighty International"), pursuant to which the Company proposed to acquire 100% equity interest in Mighty International at a consideration of RMB80,000,000. As the Group was committed to expand its service retail chain in the Greater China thereafter and considered the uncertainties in the future development of the Chinese real estate market, the Company entered into a revocation agreement with the Transferor on 7 December 2012 to revoke the acquisition with a view to focusing its fund on the establishment of retail service chain system.

Acquisition of 49% equity interest in Shenzhen Yonglonghang

On 28 June 2012, the Company entered into an equity transfer agreement with the minority shareholders of Shenzhen Yonglonghang Auto Service Ltd. (深圳市永隆行汽車有限公司) ("Shenzhen Yonglonghang"), pursuant to which the Company successfully acquired 49% equity interest in Shenzhen Yonglonghang at a consideration of RMB37,240,000. After the completion of such acquisition on 29 June 2012, the Company indirectly held 100% equity interest in Shenzhen Yonglonghang.

Acquisition of 51% equity interest in Changchun Guangda

On 17 July 2012, the Company entered into an equity transfer agreement with the shareholders of Changchun Guangda Automobile Trading Co., Ltd. (長春市廣達汽車貿易有限公司) ("Changchun Guangda"), pursuant to which the Company successfully acquired 51% equity interest in Changchun Guangda at a consideration of RMB132,600,000 (subject to adjustment). After the completion the such acquisition on 25 October 2012, the Company indirectly held 51% equity interest in Changchun Guangda.

Acquisition of 100% equity interest in IPO Automotive

On 15 November 2012, Taiwan New Focus Car Services Co. Ltd, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Ai Feng Investment Company Limited, IPO Automotive Corporation Limited ("IPO Automotive"), Magic Auto Detailer International Co., Ltd., Mr. Zeng Xin He and Ms. Yu Shu Mei, pursuant to which the Company decided to acquire 100% equity interest in IPO Automotive at a consideration of NTD210,000,000 (subject to adjustment). As at 31 December 2012, the transfer of 97.5% equity interest in IPO Automotive to the Group has been completed and the remaining 2.5% equity interest will be transferred to the Company on or about 7 June 2013.

Significant Investments

For the year ended 31 December 2012, the Group had no significant investments.

Exchange Risk

During the year, the settlement currency of the Group was mainly USD. In order to minimize foreign exchange risk, the Group fixed exchange rate with procurement contracts and adjusted the quotation policy, enabling the transfer of costs to both up and down streams, thus reducing the effects of fluctuations in exchange rate. Thus, the foreign exchange risk of the Group was minimized.

Contingent Liabilities

As at 31 December 2012, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2012, the Group employed a total of 5,291 full-time employees (31 December 2011: 4,328), of which 921 were managerial staff (31 December 2011: 785). 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.

Business Review

Despite the slowdown of the global economy, the decline of the China domestic automobile market, and the dramatic restructuring measures taken within the Group in 2012, the Group showed strength of resilience, with just a 6% decline in revenue to approximately RMB1.4 billion in 2012 from approximately RMB1.5 billion in 2011.

It was notable that the contribution of revenue from the domestic China consumer service retail chain and the B2B wholesale components of the Group soared, accounting for approximately 72% of the overall group business compared to approximately 68% in 2011. Revenue of the Group's manufacturing business accounted for less than approximately 28% of the Group's total revenue from approximately 32% in 2011.

Looking back on the year, the new management, joined in the early half of 2012, continued to implement constructive restructuring measures, which we believe would yield significant and sustainable shareholders values for the Group in the long run. Consolidation and synergies across domestic consumer service retail chain and B2B wholesale operations continued.

In the consumer service retail chain front, operations in the Eastern China region, Southern China region and Taiwan are now 100 percent owned and managed by the Group. All brands have been consolidated under the Group. The Group expects to further consolidate the branding of the remaining China Northern and China Northeastern stores by the end of 2013, thus completely unifying the Group's identity and allowing a consistent appeal to consumers throughout Greater China region.

In addition to branding consolidation, new store format has been successfully tested and has proven to yield significantly higher store traffic, member visit frequency, loyalty and financial benefits. Unlike the old store format where the majority of the store floor space was devoted to car accessory retailing, the new store format devotes significantly higher percentage of floor space towards regular and quick maintenances, wash and detailing, body repair and modification. The new store format has generated higher operating margins, freed-up cash from inventory, reduced upfront capital expenditure requirements and shortened the time required to achieve store break-even and cash pay-back period. The Group intends to continue to renovate its remaining stores in 2013 and will roll-out all future stores under the new service-oriented store format.

The Group provided services to over 6 million car owners and thousands of small and business owners in 2012. At the end of 2012, the Group has 80 consumer service retailing stores and 18 B2B wholesaling stores across the Greater China region. With a focus on top-tier markets in Greater China, the Group is now the largest in its category. The Group's unique vast distribution scale has attracted the attention of many leading global enterprises wishing to enter into the Greater China automotive after-sales market. The Group has clearly positioned itself as the leading partner-of-choice for those who are interested to tap into the fast growing automotive after-sales market in China.

The Group's Consumer Service Retail Business

In 2012, the following progress was achieved in the consumer service retail business of the Group:

1. *Successful transformation of consumer service retail outlets*

   The total number of consumer retail service centres increased by approximately 43% from 56 to 80 and continued to focus on tier-one cities in Eastern China, Southern China, Northeastern China, Northern China and Taiwan.

   - In June 2012, the Group successfully acquired the remaining 49% equity interest in Shenzhen Yonglonghang, increasing the shareholding of the Group in Shenzhen Yonglonghang to 100%. This helped the Group to exercise full control and management of Shenzhen Yonglonghang.

   - In October 2012, the Group successfully acquired 51% equity interest in Changchun Guangda. The acquisition of Changchun Guangda allowed the Group to enter the attractive Northeastern China market and is expected to generate significant business synergy with the Group's existing consumer service retail business. The position, coverage and scale of the Group in China significantly enhanced as a result of this acquisition.

   - In November 2012, the Group successfully acquired 100% equity interest in IPO Automotive in Taiwan and gained expertise in the high-end professional automobile detailing business. The Group also acquired the exclusive rights to all its patented wash & detailing chemical solutions. With the inclusion of IPO Automotive business units, the Group intends to aggressively introduce high margin professional car detailing business to various service centers of the Group, thus significantly increasing the operating margin and customer visit frequency.

   - As of 31 December 2012, all stores in Shanghai and four stores in Taiwan were successfully renovated. As a result, the number of customers for the Shanghai and Taiwan stores dramatically increased, proving the success of this exceptional transformation strategy and the duplication of our new store model to other regions.

2. *Diversifying into a new segment: the automobile detailing business*

   In November 2012, the Group acquired 100% equity interest in IPO Automotive and the brand of IPO Automotive was introduced into the Group. IPO Automotive is a well-known professional detailing business in Taiwan with its own proprietary technology and chemical formulation. The Group agrees that the core value of IPO Automotive lies in the materials, craftsmanship, sales model, and service attitude of its professional and passionate staff. With support from IPO Automotive, these exclusive advantages will differentiate the Group from its competitors.

One of the many obvious merits of car detailing business is that it serves all cars, regardless of brands, type, color and year of ownership. With common facility, equipment and chemicals, it greatly reduces the need of inventory piling while meeting the needs of all our customers. Furthermore, the spectrum of services can range from basic to high-end detailing without the need to re-tool.

With the provision of high quality and professional automobile detailing services, the number of returning visits and the loyalty of the Group's customers are expected to increase. A service project with a higher gross margin will also allow the Group to swiftly raise its profits and gain market share, especially in the high-end customer segment.

3. *Channel strategic partnership*

In July 2012, the Group entered into a strategic cooperation agreement with China RT-Mart Co. Ltd. ("RT-Mart"). RT-Mart currently has more than 200 outlets throughout China. In the first stage of this cooperation, the Group will establish service outlets in 14 stores in Eastern China, leveraging the huge in-flow of customers who drive to shop at the RT-Mart. At the end of 2012, two such outlets were successfully established. In the next stage, while the focus will continue to be in Eastern China such as Zhejiang and Jiangsu, it may also include other regions such as Beijing or Guangdong. The alliance of two leading players could shorten the period of brand building for the Group. Both parties intend to share their membership resources to promote this new service to RT-Mart's existing vast customer base.

The Group's B2B Wholesale Business

In December 2012, the Group decided to revoke the previous acquisition of additional 12% equity interest in Zhejiang Autoboom. Following the revocation of this acquisition, the Group still maintains 51% majority control of Zhejiang Autoboom. The Group decided to revoke this acquisition in order to conserve and focus all resources on expanding the consumer service retail chain in the Greater China region.

During the period under review, the total number of B2B mega stores reached 18, of which 8 stores were located in Eastern China, 3 in the Central China, and 7 in the Northeastern China. The expansion of stores represents a growth of approximately 20% over 2011. In 2012, the Group further increased its attention to products in high volume perishable product categories, such as tires, motor oil, and other additive chemicals. The Group intends to continue to diversify away from mere auto-accessory category and shift emphasis to high-volume perishable categories mentioned above.

We believe such transformation would allow our B2B wholesale stores to serve its customers better, thus increase customer satisfaction, purchase frequency and loyalty. In 2012, the Group saw its Liaoning Xin Tian Cheng Industrial Co., Ltd ("XTC") subsidiary underwent an extensive expansion. XTC established 4 new outlets in the Northeastern China region, namely, Harbin, Jinzhou and Panjin, and one new outlet in Beijing, representing a growth to 8 from 4 originally. It plans to establish 20 outlets in Northeastern China in three years so as to further enhance its leading position in the regional market.

In addition, the Group optimized its customers by categorizing them into different hierarchy levels based on profits generated. The Group intends to focus on serving top and profitable customers and place less emphasis on small and unproductive customers. Service standard (such as delivery fee and delivery time) is also being differentiated by category of customers. Similar optimization is also being done on suppliers and on products.

Going forward, the Group will continue to stress on improving margins and lowering costs to achieve sustainable profit margins for the Group's B2B wholesale business.

The Group's Manufacturing Business

Although there was a slight loss incurred in the manufacturing business of the Group in the first half of 2012, its performance showed a significant improvement in the second half of the year following the joining of a new executive team in June. Although North America, the major manufacturing market, remained sluggish, we still managed to win several large orders from important customers. The Group continued to invest substantial resources in R&D and has centered its product innovation and design around the theme of "light, thin, smart and green." Currently, some of the products have been introduced in both domestic and overseas OEM markets and are very well received by customers.

During the period under review, the new management team realised an increase of the gross margins from approximately 19% (January to May) to approximately 24% (June to December) in 2012 through the optimization of suppliers, lowering of material costs, and improvement of logistics and operation of warehouses.

In addition, the Group's manufacturing business segment recently entered into a strategic partnership agreement with a leading global tire manufacturer. The Group became an authorized manufacturer and distribution partner for all related products. The Group's manufacturing business will be responsible for the production of automobile accessories products authorized by the global partner and the distribution of all related products, all which will be sold in over 100 self-operated retail chain stores and the Group's B2B wholesale divisions.

Prospects

Despite unparalleled challenges caused by the economic downturn, China's automotive after-sales market remains strong. This allows the Group to lay a good foundation for its growth. In order to seize the opportunities, the following key strategies will be adopted in the Group's service business in 2013:

1. *Consumer service retail business-enhancing the density of existing market service outlets and expanding the high-end detailing service*

   - By adding more consumers service retail centers in Shanghai, Taiwan, Shenzhen, Beijing, and Jinan, the Group will increase the coverage density in all its major markets. The number of service centers is expected to increase by nearly 30 in 2013.

   - The Group will continue to add more stores through the Rt-Mart channel in Eastern China.

   - The Group plans to negotiate strategic cooperation with various international and well-known brands.

   - The Group plans to continue to improve its store performance by fine-tuning store layout based on dollar per sq. meter measurement concept. The Group also intends to continue to unify its brand and IT systems in order to establish integrated service chains.

   - The Group will arrange internal training in different regions and apply best practices across regions. By sharing and learning from the expertise and skill sets in different areas, the Group is determined to make all the stores not only individually profitable, but also collectively great, achieving the highest industry standard by all key measurements.

2. *B2B wholesales business*

   The Group will further explore new synergy derived from centralised procurement and will simplify procurement procedures increase procurement and logistics efficiency.

   The Group will optimise its product mix to respond to rapid changes in the market. The wholesale business has already diversified into motor oil and other core perishable categories, and will also enter into distribution of wash and detailing solutions.

   The Group will categorise its suppliers, customers and products. It will focus on major customers, outputs and profit-making products. Further categorization of customers will be made based on their contribution to the Group's profit, and those premium customers will be served with better services, more attractive prices and payment terms and market support policies.

3. *Manufacturing Business*

In 2013, stable operational strategies will continue to be applied to the manufacturing business of the Group. With its strong product R&D capabilities and marketing network, the Group can establish further co-operation with other well-known brands to expand market shares.

- The Group will seek to consolidate existing customers and develop new businesses. It will rely on existing resources and businesses to attract new customers and expand market share with the enhancement of product quality, sales, and enhanced service quality.

- The Group will pursue research and development of new products. As the China automotive market trend is changing, the trend of demand of China consumers is also changing. Under the rapid development of the China automotive market, the Group will accurately capture the demand of consumers and produce attractive automotive accessories products. The Group plans to develop 70 new products in 2013.

- The Group will continue to strive to reduce operating costs which includes taking steps to reduce discretionary expenses and administration costs. We will aggressively re-negotiate with all suppliers to lower raw material costs, reduce staff and optimise supply chains.

2012 was a year of transformation for the Group. We believe that the drastic measures taken by the Group will help create bigger and more sustainable shareholders values in the long run. We are confident that with all these corrective measures, we will emerge as the true leader in this exciting and fast growing China automotive after-sales market.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of 18.68% equity interest in New Focus Richahaus

On 18 February 2013, the Company entered into a share purchase agreement with the minority shareholders of New Focus Richahaus Co., Ltd. ("New Focus Richahaus"), pursuant to which, the Company acquired 18.68% equity interest in New Focus Richahaus at a consideration of NTD42,029,326. After the completion of the acquisition on 19 March 2013, the Company's indirect equity interest in New Focus Richahaus increased to 100%.

Supplemental agreement to the equity transfer agreement in relation to the acquisition of 51% equity interest in Hubei Autoboom

On 23 September 2011, the Company and Chen Bing Yu (陳炳煜), Li Zhen Fei (李貞斐) and Li Zheng Guo (李正國) ("Hubei Autoboom Vendors") entered into the equity transfer agreement (the "Equity Transfer Agreement") in relation to the acquisition of 51% equity interest in Hubei Autoboom Auto Accessories Supermarket Co., Ltd. (湖北歐特隆汽車用品超市有限公司) ("Hubei Autoboom"), and the acquisition completed on 23 September 2011. On

18 February 2013, the Company and Hubei Autoboom Vendors entered into a supplemental agreement to amend the terms of the Equity Transfer Agreement, including the payment method, pursuant to which the Company is obligated to pay Hubei Autoboom Vendors a sum of RMB27,621,178 of which RMB4,000,000 will be satisfied by way of cash and RMB23,621,178 will be satisfied by the issue of 29,749,744 new shares in the Company at the issue price of HK$0.98.

CORPORATE GOVERNANCE

The Company has applied the principles set out in the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CG Code").

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2012, save and except for the deviation from code provisions A.2.1 and A.6.7.

Under A.2.1 of the CG Code, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual". Mr. Hung Wei-Pi, John acted as both the chairman and chief executive officer of the Company during 2011 and up to 31 January 2012. Such deviation is due to the fact that the day-to-day management of the Group was led by Mr. Hung. The Board considers that such arrangement provided the Group with strong and consistent leadership and allowed for effective and efficient planning and implementation of business strategies and decisions. In order to focus on providing leadership for the Board and to comply with the provisions of the CG Code, Mr. Hung Wei-Pi, John resigned as chief executive officer of the Company with effect from 1 February 2012 and was succeeded by Mr. Raymond N. Chang on the same day.

Under A.6.7 of the CG Code, non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, only Mr. Hung Wei-Pi, John, being chairman of the Company and the Nomination Committee, and Mr. Du Hai-Bo, being the chairman of Audit Committee and Remuneration Committee, attended the annual general meeting of the Company held on 8 June 2012. In addition, only Mr. Hung Wei-Pi John and Mr. Chang An-Li, a non-executive Director of the Company, attended the extraordinary general meeting of the Company held on 23 October 2012. Other five non-executive directors failed to attend such general meetings due to their other business engagement. The Company is of the view that the two directors participated in the relevant general meetings were able to answer questions from the shareholders at the general meetings and to develop a balanced understanding of the shareholders' view.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted a code of conduct regarding securities transactions of Directors no less exacting than the required standards set out in Appendix 10 to the Listing Rules (the "Model Code"). To ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code, a committee (the "Securities Committee") was set up under the Board comprising Mr. Hung Wei-Pi, John as chairman and Ms. Hung Ying-Lien to deal with such securities dealings. Prior to any dealing in the securities of the Company, a Director is required to notify the chairman of the Securities Committee or, in the case of dealings by Mr. Hung Wei-Pi, John himself, notify Ms. Hung Ying-Lien in writing and obtain a written acknowledgement from the Securities Committee.

Having made specific enquiries to all Directors by the Securities Committee of the Company, all Directors confirmed that they had complied with the Model Code regarding Directors' securities transactions during the year under review.

AUDIT COMMITTEE

The Audit Committee comprises a total of three members, namely, Mr. Du Hai-Bo, Mr. Zhou Tai-Ming and Mr. Chih T. Cheung, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Du Hai-Bo 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 audited financial results of the Group for the year ended 31 December 2012.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

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

During the year, the Company repurchased a total of 3,592,000 ordinary shares in the Company of HK$0.10 each on the Stock Exchange at prices ranging from HK$1.65 to HK$2.04 per share, for a total consideration of HK$6,782,979.6.

Apart from the above, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company will be held on 28 June 2013 and the notice of annual general meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 June 2013 to 28 June 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the 2012 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, 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 2013.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.nfa360.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2012 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

By order of the Board
New Focus Auto Tech Holdings Limited
Hung Wei-Pi, John
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the directors of the Company are executive Directors – HUNG Wei-Pi, John, HUNG Ying-Lien, Raymond N. Chang, Douglas Charles Stuart FRESCO and Edward B. MATTHEW; non-executive Directors – HSU Ming Chyuan and CHANG An-Li; and independent non-executive Directors – DU Hai-Bo, ZHOU Tai-Ming, UANG Chii-Maw and Chih T. Cheung.