THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Focus Auto Tech Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

(1) ISSUE OF NEW SHARES AND US$48,685,000 CONVERTIBLE BONDS AND SPECIFIC MANDATE
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE TO INDEPENDENT PLACEES
(3) SUBSCRIPTION OF NEW SHARES BY MANAGEMENT UNDER SPECIFIC MANDATE, CONNECTED TRANSACTION AND SPECIAL DEAL
(4) WHITEWASH WAIVER
(5) PROPOSED MANAGEMENT INCENTIVE SCHEME, SPECIFIC MANDATE, GRANT OF MANAGEMENT OPTIONS, CONNECTED TRANSACTION AND SPECIAL DEAL
(6) INCREASE IN AUTHORIZED SHARE CAPITAL
(7) PROPOSED APPOINTMENT OF NEW DIRECTORS
(8) PROPOSED CHANGE OF AUDITORS

Independent Financial Adviser to the Independent Board Committee, the Whitewash IBC and Independent Shareholders

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

A notice convening an EGM of the Company to be held at No. 4589 Wai Qing Song Road, Qingpu District, Shanghai, PRC on 9 August 2013 at 2:00 p.m. is set out on pages EGM-1 to EGM-6 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if he so wishes and in such event, the form of proxy will be deemed to be revoked.

* *For identification purposes only*

17 July 2013

CONTENTS

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

"Announcement"	the announcement of the Company dated 26 June 2013 in relation to, among other things, the Proposed Transactions
"Articles"	the memorandum and articles of association of the Company
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	at any time the person(s) who is (are) for the time being the registered holder(s) of the Convertible Bonds
"Book-Building Date"	the date on which the Placing Agent confirms the potential investors to whom the Placing Agent intends to allocate the Placing Shares, subject to Completion
"Business Day"	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong
"CDH Management"	CDH China Management Ltd
"Closing"	the completion of the subscription of the Investor Subscription Shares and the Convertible Bonds
"Closing Date"	the date of completion of the issue of and subscription of the Investor Subscription Shares and the Convertible Bonds under the Investment Agreement following the satisfaction (or, to the extent legally permissible, waiver) of all the conditions precedent to the Investment Agreement
"Company"	New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange

"Completion"	the completion of the Investment Agreement (including the Investor Subscription and the issue of the Convertible Bonds), the Placing, the Management Subscription the Existing Convertible Bonds Redemption, and the adoption of the Management Incentive Scheme
"connected person"	has the meaning ascribed to it under the Listing Rules
"Conversion Price"	the price at which Conversion Shares will be issued upon conversion of the Convertible Bonds
"Conversion Share(s)"	the Share(s) to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
"Convertible Bond(s)"	the zero coupon convertible bond(s) with an aggregate principal amount of US$48,685,000 to be issued by the Company pursuant to the Investment Agreement
"Director(s)"	the director(s) of the Company
"Early Redemption Amount"	the outstanding principal amount of the Convertible Bonds plus an amount of interest representing an internal rate of return of 30% over the principal amount from the Issue Date to the date of payment
"EGM"	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Management Subscription Agreement and the transactions contemplated thereunder; (iv) the proposed adoption of the Management Incentive Scheme and grant of Management Options; (v) the Specific Mandates; (vi) the Whitewash Waiver; (vii) the Special Deals; (viii) the Share Capital Increase; (ix) the proposed appointment of the New Directors; and (x) the proposed appointment of new auditors
"Existing Convertible Bonds"	the convertible bonds issued to the STIC Entities by the Company in 2011 with an aggregate principal amount of US$38,201,001 expiring in December 2015

"Existing Convertible Bonds Redemption"	the redemption of the entire Existing Convertible Bonds by the Company pursuant to the terms and conditions of the Existing Convertible Bonds as amended by the STIC Amendment Deed
"Greater China Region"	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising all the independent non-executive Directors which has been established by the Board to advise the Independent Shareholders pursuant to the Listing Rules
"Independent Financial Adviser"	Anglo Chinese Corporate Finance, Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, being the independent financial adviser to the Independent Board Committee, the Whitewash IBC and Independent Shareholders
"Independent Placees"	independent institutional, professional and/or individual placees who are not concert parties (as defined under the Takeovers Code) with the Investor or the STIC Entities, and not connected with any director, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or its subsidiaries
"Independent Shareholders"	Shareholders other than the Investor and parties acting in concert with it and any other Shareholders who are not involved in or interested in the Proposed Transactions, the Whitewash Waiver and the Special Deals

"Independent Third Party(ies)"	a third party(ies) who is/are independent of and is/are not connected with the Company and any of its connected persons (as defined in the Listing Rules)
"Investment Agreement"	the investment agreement dated 25 June 2013 entered into between the Company and the Investor for the subscription by the Investor of certain new Shares and new convertible bonds to be issued by the Company
"Investor"	CDH Fast Two Limited
"Investor Subscription"	the subscription of the Investor Subscription Shares by the Investor pursuant to the Investment Agreement
"Investor Subscription Price"	the price of HK$0.30 per Share at which the Investor Subscription Shares are to be issued
"Investor Subscription Shares"	the 1,262,564,333 new Shares the Investor has agreed to subscribe for and to be issued by the Company under the Investment Agreement
"Issue Date"	the date on which the Convertible Bonds are issued
"Last Trading Day"	25 June 2013, being the last full trading day immediately prior to the date of the Announcement
"Latest Practicable Date"	15 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Management Incentive Scheme"	the management incentive scheme to be adopted by the Company which is subject to approval by the Shareholders at the EGM
"Management Option"	a right to subscribe for Shares granted pursuant to the Management Incentive Scheme, not being such a right which has lapsed or terminated

"Management Subscription"	the subscription of the Management Subscription Shares by Mr. Chang or his designated associates pursuant to the Management Subscription Agreement
"Management Subscription Agreement"	the subscription agreement dated 25 June 2013 entered into between the Company and Mr. Chang for the subscription of certain new Shares by Mr. Chang or his designated associates
"Management Subscription Price"	the price of HK$0.30 per Share at which the Management Subscription Shares are to be issued
"Management Subscription Shares"	an aggregate of 51,866,667 new Shares that Mr. Chang has agreed to subscribe for pursuant to the Management Subscription Agreement
"Maturity Date"	the maturity date of the Convertible Bonds, being the fifth anniversary of the Issue Date
"Mr. Chang"	Mr. Raymond N Chang, the chief executive officer of the Company and an executive Director
"Mr. Hung"	Mr. Hung Wei-Pi, the chairman of the Company, an executive Director and a substantial Shareholder of the Company, and a brother of Ms. Hung
"Ms. Hung"	Ms. Hung Ying-Lien, an executive Director, vice-president and chief financial controller of the Company, and a sister of Mr. Hung
"New Directors"	Mr. Wang Zhenyu, Mr. Ying Wei, Mr. Zhang Jianxing, Mr. Du Jinglei, Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Jie, being the persons initially nominated by the Investor pursuant to the Investment Agreement for appointment as Directors effective from the Closing Date
"NTD"	New Taiwan Dollar, the lawful currency of Taiwan
"Placing"	the placing of the Placing Shares under the Placing Agreement
"Placing Agent"	Morgan Stanley & Co. International plc

"Placing Agreement"	the placing agreement dated 25 June 2013 entered into between the Company and the Placing Agent in respect of the placing of the Placing Shares by the Placing Agent
"Placing Price"	HK$0.30 per Placing Share, being the price at which the Placing Shares are to be issued under the Placing
"Placing Shares"	up to 1,060,673,334 new Shares to be placed to placees under the Placing Agreement
"PN16"	Practice Note 16 issued by the SFC dated 18 June 2009
"PRC" or "China"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Transactions"	transactions contemplated under the Investment Agreement, the STIC Amendment Deed, the Placing Agreement and the Management Subscription Agreement, and the proposed adoption of the Management Incentive Scheme and the issuance of Management Options thereunder pursuant to its terms
"Re-Designated Director"	Mr. Hung, who will be re-designated as a non-executive Director on the Closing Date
"Remuneration Committee"	the remuneration committee of the Board as constituted as required under the Listing Rules from time to time
"Repurchase Code"	the Code on Share Repurchases issued by the SFC
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFC Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Capital Increase"	the proposed increase in the authorized share capital of the Company from HK$200,000,000 divided into 2,000,000,000 Shares to HK$600,000,000 divided into 6,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares
"Shareholder(s)"	the holder(s) of the Shares
"Special Deal (Management Incentive Scheme)"	the special deal under Rule 25 of the Takeovers Code involving the adoption of the Management Incentive Scheme and the grant of the Management Options
"Special Deal (Management Subscription)"	the special deal under Rule 25 of the Takeovers Code involving the Management Subscription
"Special Deals"	the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme)
"Specific Mandate (Investment Agreement)"	the specific mandate to be sought from the Shareholders for the issue and allotment of the Investor Subscription Shares and the Conversion Shares
"Specific Mandate (Management Options)"	the specific mandate to be sought from the Shareholders for the issue and allotment of Shares upon the exercise of the Management Options
"Specific Mandate (Management Subscription)"	the specific mandate to be sought from the Shareholders for the issue and allotment of the Management Subscription Shares
"Specific Mandate (Placing)"	the specific mandate to be sought from the Shareholders for the issue and allotment of the Placing Shares
"Specific Mandates"	the Specific Mandate (Investment Agreement), the Specific Mandate (Placing), the Specific Mandate (Management Subscription) and the Specific Mandate (Management Options)

"STIC Amendment Deed"	the deed of amendment and undertaking dated 25 June 2013 between the Company and the STIC Entities in relation to the amendment to the terms and conditions of the Existing Convertible Bonds
"STIC Entities"	STIC Secondary Fund II, L.P. and STIC Korea Integrated-Technologies New Growth Engine Private Equity Fund, both holders of the Existing Convertible Bonds
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taiwan Depository Receipts"	the depository receipts, each representing one Share, issued by the Company and listed on the Taiwan Stock Exchange Corporation in October 2009
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"USD" or "US$"	US dollars, the lawful currency of the United States of America
"Whitewash IBC"	the independent board committee comprising HSU Ming Chyuan as non-executive Director and DU Hai-Bo, ZHOU Tai-Ming, UANG Chii-Maw and Chih T. CHEUNG as independent non-executive Directors which has been established by the Board to advise the Independent Shareholders pursuant to the Takeovers Code
"Whitewash Waiver"	a waiver, granted by the SFC Executive, from the obligation of the Investor and the respective parties acting in concert with it to make a mandatory offer for all the Shares not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code
"%"	per cent

Unless otherwise specified in this Circular, amounts denominated in US$ have been converted, for the purpose of illustration only, into HK$ at US$1 = HK$7.78.

No representation is made that any amount in HK$ could have been or could be converted at the above rate or at any other rates or at all.

Certain English translation of Chinese names or words in this Circular are included for information purposes only and should not be regarded as the official English translation of such Chinese names or words.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 360)

Executive Directors:
Mr. Hung Wei-Pi, John *(Chairman)*
Mr. Raymond N. Chang
Ms. Hung Ying-Lien
Mr. Douglas Charles Stuart Fresco
Mr. Edward B. Matthew

Non-executive Directors:
Mr. Hsu Ming Chyuan
Mr. Chang An-Li

Independent non-executive Directors:
Mr. Du Haibo
Mr. Zhou Tai-Ming
Mr. Uang Chii-Maw
Mr. Chih T. Cheung

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

Principal Place of Business in Hong Kong:
5/F., 180 Hennessy Road
Wanchai, Hong Kong

17 July 2013

To the Shareholders

Dear Sir or Madam,

(1) ISSUE OF NEW SHARES AND US$48,685,000 CONVERTIBLE BONDS AND SPECIFIC MANDATE
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE TO INDEPENDENT PLACEES
(3) SUBSCRIPTION OF NEW SHARES BY MANAGEMENT UNDER SPECIFIC MANDATE, CONNECTED TRANSACTION AND SPECIAL DEAL
(4) WHITEWASH WAIVER
(5) PROPOSED MANAGEMENT INCENTIVE SCHEME, SPECIFIC MANDATE, GRANT OF MANAGEMENT OPTIONS, CONNECTED TRANSACTION AND SPECIAL DEAL
(6) INCREASE IN AUTHORIZED SHARE CAPITAL
(7) PROPOSED APPOINTMENT OF NEW DIRECTORS
(8) PROPOSED CHANGE OF AUDITORS

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Investor Subscription, the issue of the Convertible Bonds, the Placing, the Management Subscription, the Whitewash Waiver, the Specific Mandates, the proposed adoption of the Management Incentive Scheme and the grant of Management Options thereunder, the

* *For identification purposes only*

Special Deals, the Share Capital Increase, the proposed appointment of the New Directors, the proposed change of auditors of the Company, the amendment to the terms of the Existing Convertible Bonds and the Existing Convertible Bonds Redemption.

The purpose of this circular is to (i) to provide you with, among other things, further information relating to the Investor Subscription, the issue of the Convertible Bonds, the Placing, the Management Subscription, the Whitewash Waiver, the Specific Mandates, the proposed adoption of the Management Incentive Scheme and the grant of Management Options thereunder, the Special Deals, the Share Capital Increase, the appointment of the New Directors and the appointment of the new auditors; (ii) to set out the recommendations of the Independent Board Committee and the Whitewash IBC to the Independent Shareholders; (iii) to give you a notice of the EGM to approve the Investor Subscription, the issue of the Convertible Bonds, the Placing, the Management Subscription, the Whitewash Waiver, the Specific Mandates, the proposed adoption of the Management Incentive Scheme and the grant of Management Options thereunder, the Special Deals, the Share Capital Increase, the appointment of the New Directors and the appointment of the new auditors; and (iv) to provide you with other information as required under the Listing Rules and the Takeovers Code.

INVESTMENT AGREEMENT

On 25 June 2013, the Company entered into the Investment Agreement with the Investor pursuant to which, among other things, the Company agreed to issue, and the Investor agreed to subscribe for:

(a) 1,262,564,333 new Investor Subscription Shares for a consideration of US$48,685,000 at the Investor Subscription Price of HK$0.30 per Share to be settled in US dollars; and

(b) the Convertible Bonds in the aggregate principal amount of US$48,685,000 for a consideration equal to the principal amount of such Convertible Bonds to be settled in US dollars.

Principal terms of the Investment Agreement are set out below.

Conditions precedent to the Investment Agreement

Completion of the transactions contemplated under the Investment Agreement is conditional upon, among other things, the satisfaction of the following conditions unless otherwise waived (where permissible), provided that conditions (a) to (d) below cannot be waived):

(a) the Investor having obtained the Whitewash Wavier from the SFC Executive and the Whitewash Waiver having become unconditional in all respects (including the Company having obtained approval of the Whitewash Waiver from the Independent Shareholders);

(b) the Listing Committee having approved the listing of, and granted permission to deal in, the Investor Subscription Shares and the Conversion Shares;

(c) the Company having obtained approval from the Shareholders as required under the Articles, applicable law and the Listing Rules for:

(i) the Share Capital Increase;

(ii) the issue of the Convertible Bonds to the Investor;

(iii) the issue of the Investor Subscription Shares and the Conversion Shares;

(iv) the issue of the Placing Shares;

(v) the appointment of KPMG to replace the existing auditors of the Company for the preparation of the audited consolidated results of the Group for the year ending 31 December 2013; and

(vi) the appointment of the New Directors to be nominated by the Investor effective from the Closing Date;

(d) no court or other governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restricts, enjoins or otherwise prohibits consummation of the Investor Subscription or any of the other Proposed Transactions;

(e) the representations and warranties of the Company and the Investor set out under the Investment Agreement continuing to be true and correct in all material respects as of the Closing Date;

(f) the Company and the Investor having performed or complied with, in all material respects, all agreements and covenants required by the Investment Agreement to be performed or complied with by each party prior to the Closing Date;

(g) the listing of the Shares not having been cancelled or withdrawn, the Shares continuing to be traded on the Stock Exchange at all times from the date of the Investment Agreement to the Closing Date except for certain specified temporary suspensions;

(h) the Company having obtained approval from the Shareholders as required under the Articles, applicable law and the Listing Rules for the Management Subscription Shares;

(i) the consummation of the Placing, the Management Subscription and the Existing Convertible Bonds Redemption;

(j) the resignation of each of the existing Directors other than Mr. Chang and Mr. Hung effective from the Closing Date;

(k) the resignation of Mr. Hung from the office of the chairman of the Board effective from the Closing Date;

(l) the appointment of the New Directors by the Board and the Shareholders effective from the Closing Date;

(m) the Board's appointment of Mr. Wang Zhenyu (王振宇) as the chairman of the Board effective from the Closing Date;

(n) the execution and delivery of new director service agreements with the Company by Mr. Hung and Mr. Chang;

(o) the Investor having obtained a legal opinion under the Cayman Islands law in respect of certain matters relating to the transactions contemplated under the Investment Agreement; and

(p) no development, fact, circumstance, condition, event, change, occurrence or effect, individually or in the aggregate, that would have or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Group taken as a whole.

As at the Latest Practicable Date, condition (n) above has been fulfilled.

Completion of the Investment Agreement will take place on the Closing Date. It is expected that the completion of the Placing, the Management Subscription and the Existing Convertible Bonds Redemption will take place substantially simultaneously with the completion of the Investment Agreement, with the Placing and the Management Subscription completed before, and for providing the funds for, the Existing Convertible Bonds Redemption, followed by the completion of the Investment Agreement.

Termination of the Investment Agreement

The Investment Agreement may be terminated before the Closing:

(a) by mutual written consent of the parties;

(b) by any party if:

(i) the other party shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Investment Agreement;

(ii) the Closing has not occurred on or prior to 31 October 2013; or

(iii) any governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any injunction, which shall have become final or non-appealable, that restrains, enjoins or otherwise prohibits the subscription of the Investment Subscription Shares and the Convertible Bonds; or

(c) by the Company if all the conditions precedent to the Investor's obligations have been satisfied and the Company has irrevocably confirmed its willingness to complete the Investment Agreement but it does not happen within fifteen (15) Business Days after delivery of such notice.

Pursuant to the Investment Agreement, the Investor agreed to, or agreed to instruct a nominee to, deposit a sum of HK$7.6 million into an escrow account to be held by an escrow agent. In the case of termination under (c) above, such deposit shall be released to the Company. If the conditions precedent to the completion of the Investment Agreement have been satisfied (or otherwise waived by the Investor) but the Company fails to comply with the Investment Agreement, the above deposit shall be returned to the Investor and the Company shall pay a break fee of HK$7.6 million to the Investor.

The Investment Agreement shall terminate after the Closing upon the earlier of:

(a) the mutual written consent of the parties; or

(b) the Investor ceasing to hold at least 20% of the then issued share capital of the Company on an as-converted and fully-diluted basis,

and upon such termination, the Company and the Investor shall be released from their respective post-Closing obligations under the Investment Agreement.

Number of Investor Subscription Shares

The 1,262,564,333 Investor Subscription Shares represent (i) approximately 202.2% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 42.8% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

If there is a monetary compensation or accounting provision made by the Company and/or any material impairment, discount or write down in the value of certain account receivables and asset items of the Company specified in the Investment Agreement (the "**Adjustment Asset Items**") or provision for certain unsettled disputes in the audited financial statements of the Company as at 31 December 2013, the Company shall allot and issue to the Investor additional number of Shares (the "**Additional Shares**") calculated by the following formula:

$$(Y + Z) \times 1.71 \ / \ \text{HK\$}0.30,$$

where "Y" equals to the monetary compensation or accounting provision, whichever applicable, and "Z" equals to the impairment, discount or write down to the values of the Adjustment Asset Items as determined by the auditors for the year ending 31 December 2013, provided that the aggregate sum of "Y" and "Z" exceeds RMB2,000,000.

The above formula is derived based on the proportion of (i) approximately RMB600 million to be invested by the Investor pursuant to the Investment Agreement; to (ii) the agreed pre-money valuation of RMB350 million for 100% equity interest in the Company. Therefore, the Investor should be compensated by 1.71x for every dollar of asset value shortfall on the basis that the value of the Investor's contribution in cash would remain unchanged.

The Adjustment Asset Items mainly comprise asset items of the Group with latest book value that exceeded RMB1,000,000 each. The Adjustment Asset Items include outstanding trade receivables that arise in the ordinary course of the Group's businesses, deposit that should be repaid to the Group as well as certain land and properties owned by the Group. The Adjustment Asset Items do not include any goodwill.

The Company does not expect a substantial valuation adjustment or accounting provision resulting in a substantial number of Additional Shares to be issued. For illustration purpose only, based on the assumptions (i) that the Adjustment Asset Items will be fully written off; (ii) that the full accounting provision of RMB22 million will be made for the unsettled disputes; and (iii) of an exchange rate of RMB1 to HK$1.263, it is estimated that the Company would allot and issue 1,829,701,875 Additional Shares pursuant to the above adjustment provisions.

The Investor has, under an irrevocable undertaking, undertaken to the Company that it shall only be entitled to exercise the conversion rights attached to the Convertible Bonds of up to, in aggregate, US$18.5 million in principal amount at any time prior to the issue of the Additional Shares, if any, or when it is confirmed that no Additional Shares are required to be issued by the Company to the Investor under the Investment Agreement.

No Additional Shares will be issued to result in the breach by the Company of the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Undertakings and covenants of the Company

The Company has undertaken and covenanted with the Investor that, from the date of the Investment Agreement to the Closing Date, among other things:

(a) the business of the Group shall be conducted in the ordinary course materially consistent with existing practice as at the date of the Investment Agreement;

(b) it shall not issue any new Share (including securities convertible or exchangeable into Shares) or increase debts (other than trade payables or those incurred in the ordinary course of business) unless with the prior written consent of the Investor, save for the issue of the Placing Shares and the Management Subscription Shares; and

(c) it shall not make any distribution of profits, create any security or encumbrance on any material assets of the Group, lend any money, grant any credit, give any guarantee or indemnity, or undertake to make payment otherwise than in the ordinary course of business.

Undertakings and covenants of the Investor

The Investor shall not, and shall procure that its associates and parties acting in concert with it will not, acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of:

(a) any Share or any voting rights or the control of any voting rights in general meeting of the Company; or

(b) any interest in such Share or voting rights or control of voting rights.

Indemnity

Each of the Investor and the Company shall, for a period of 24 months after the date of the Investment Agreement, indemnify and keep indemnified the other party against loss, costs or expenses suffered or incurred as a result of or in connection with, directly or indirectly, any breach of the representations, warranties and undertakings under the Investment Agreement, provided that such indemnity shall be subject to maximum aggregate amount of US$97,370,000.

Governance and information rights

Upon the Closing and for such time as the Investor holds, directly or indirectly, at least US$41 million of the principal amount of the Convertible Bonds, the Investor shall, to the extent permitted under applicable law and the Listing Rules, have the following key governance and information rights:

Governance rights

(a) nominate four persons to be appointed and to continue in office as executive or non-executive Directors, one of which to act as the chairman of the Board;

(b) nominate three persons to be appointed and to continue in office as independent non-executive Directors;

(c) nominate a director nominated by the Investor to be appointed and to continue as a member of each of the audit committee, the nomination committee and the remuneration committee (and any other committee of the Board);

(d) nominate a person to be appointed and to continue in office as the chief financial officer of the Company; and

(e) cause persons appointed pursuant to (a) and (d) above to resign and nominate replacements.

Information rights

(a) the Investor shall be entitled to receive any information held by the Company which the Investor reasonably requires to keep it properly informed about the business and affairs of the Group to protect its interest as a holder of the Convertible Bonds;

(b) the Investor be supplied with a copy of the audited accounts of each principal subsidiary and the Group in respect of each financial year at the same time as the same is provided to the Shareholders;

(c) the New Directors be supplied with the monthly management accounts of the Group and other information as they are provided to the Directors; and

(d) the New Directors be supplied with all financial or other information provided to any bank or holder of debt securities.

Limitation on transfer by the Investor

Within a period of three (3) years from the Issue Date, the Investor shall not transfer the Convertible Bonds without the prior written consent of the Company (acting through the unanimous decision of the Board), except, among other things, for transfer to its affiliates or under a general offer made to all holders of the Convertible Bonds.

Management lock-up

Mr. Chang will undertake, under his new director service agreement with the Company, that from the Issue Date, he will not, and will procure his associates not to, sell or otherwise dispose of any of the Shares beneficially owned by him or his associates as at the date of the Investment Agreement and the Management Subscription Shares until the third anniversary of the Issue Date, except for pledges or charges in favour of banks or financial institutions as security for loans provided to Mr. Chang or the relevant associates that may be allowed under the terms of the director service agreement. However, the above restrictions shall cease to have effect:

(a) if any of the Convertible Bonds are converted into Shares, the total number of Shares to be released will be in the same proportion as such Convertible Bonds being converted as compared to the total Convertible Bonds subscribed for under the Investment Agreement, provided that such release shall take effect for 50% of the number of Shares to be released upon 12 months after such conversion and the remaining 50% to be released upon 24 months after such conversion;

(b) in full immediately upon the termination of the director service agreement between the Company and Mr. Chang; or

(c) in case of any sale or disposal of Shares or Convertible Bonds by the Investor, in the same proportion as such Shares and Shares to be issued upon the full conversion of the Convertible Bonds being sold or disposed of, to the total number of the Investor Subscription Shares and the Conversion Shares being subscribed under the Investment Agreement on a fully-converted basis.

Specific Mandate (Investment Agreement)

The Investor Subscription Shares and Conversion Shares will be allotted and issued pursuant to the Specific Mandate (Investment Agreement) proposed to be sought from the Shareholders at the EGM. Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Specific Mandate (Investment Agreement).

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Investor Subscription Shares and the Conversion Shares.

Completion of the Investment Agreement, the Investor Subscription and the issue of the Convertible Bonds are subject to the fulfillment of the conditions precedent in the Investment Agreement. As the Investor Subscription and the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are set out below:

Principal amount:	US$48,685,000.
Issue price:	100% of the principal amount.
Maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company shall repay to the Bondholders an amount equal to the principal amount on the fifth anniversary of the Issue Date.

Conversion rights:	The Bondholder(s) have the right to convert the Convertible Bonds into Shares at any time on or before the Maturity Date.
Conversion Price:	Conversion Price of the Convertible Bonds shall be HK$0.2328 per Conversion Share, subject to adjustment pursuant to the terms and conditions of the Convertible Bonds.
Adjustments to the Conversion Price:	The Conversion Price is subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, dividend or distribution and other events which may have a similar dilutive effect on the Bondholders.
Conversion period:	The Bondholders have the right to convert any Convertible Bond into Shares at any time on or after the Issue Date up to and including the Maturity Date.
Redemption and purchases:	Unless previously redeemed, purchased, cancelled or converted, the outstanding Convertible Bonds will only be redeemed by the Company on the Maturity Date at an amount equal to its principal amount plus a premium representing a rate of 5% per annum compounded annually on each anniversary of the Issue Date up to the Maturity Date. In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right to require the Company to redeem, in whole but not in part only, such Bondholder's Convertible Bonds on the 20th Business Day after the notice to the Company of such request for redemption, at the Early Redemption Amount. The Company or any of its subsidiaries may at any time and from time to time purchase Convertible Bonds at any price in the open market or otherwise in compliance with applicable laws and regulations upon which such Convertible Bonds shall be cancelled.

Events of default:	The Bondholders may, acting by ordinary resolution, declare the relevant Convertible Bonds immediately due and payable at the Early Redemption Amount if an event of default as specified in the terms and conditions of the Convertible Bonds occurs.
Limitation on conversion:	The Bondholders shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to an extent that would result in the Company in breach of the public float requirement under Rule 8.08(1)(a) of the Listing Rules.
Transferability:	Except for transfer to affiliates of the Investor, the Convertible Bonds may not be transferred by the Bondholder(s) except with the written consent of the Company.
Voting:	The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being Bondholders.
Ranking of the Convertible Bonds:	The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions provided by mandatory provisions of applicable laws under the terms and conditions of the Convertible Bonds, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.
Form and denomination:	The Convertible Bonds will be issued in registered form in the denomination of US$100,000 each. A certificate will be issued to each Bondholder in respect of its registered holding of the Convertible Bonds.
Listing:	No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.
Default interest:	If the Company fails to pay any sum in respect of the Bonds when it becomes due and payable, interest shall accrue on the overdue sum at the rate of 5% per annum.

Number of Conversion Shares

Based on the initial Conversion Price of HK$0.2328 per Conversion Share, 1,627,015,893 Conversion Shares will be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds in full, which represent (i) approximately 260.6% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 55.2% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options); and (iii) approximately 35.6% of the issued share capital immediately upon the Completion on the Closing Date and as enlarged by the issue and allotment of the Conversion Shares (but before the exercise of the Management Options).

The Investor Subscription Price and the Conversion Price

The Investor Subscription Price for each Investor Subscription Share is set at HK$0.30. This represents:

(i) a discount of approximately 36.8% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 41.2% to the closing price of HK$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 46.4% to the average closing price of approximately HK$0.560 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and

(iv) a discount of approximately 47.8% to the Group's published consolidated net asset per Share (excluding minority interest) as at 31 December 2012 of approximately HK$0.575 per Share (based on a total of 624,422,066 Shares as at the Latest Practicable Date).

The initial Conversion Price for each Conversion Share is set at HK$0.2328. This represents:

(i) a discount of approximately 51.0% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 54.4% to the closing price of HK$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 58.4% to the average closing price of approximately HK$0.560 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and

(iv) a discount of approximately 59.5% to the Group's published consolidated net asset per Share (excluding minority interest) as at 31 December 2012 of approximately HK$0.575 per Share (based on a total of 624,422,066 Shares as at the Latest Practicable Date).

The Investor Subscription Price was determined after arm's length negotiation between the Company and the Investor with reference to a number of factors, including, among other things, the recent trading price and trading volume of the Shares on the Stock Exchange, as well as the assets, liabilities, financial performance and business condition of the Company.

The initial Conversion Price of HK$0.2328 per Share represents a discount of approximately 22.4% to the Investor Subscription Price, the Placing Price and the Management Subscription Price of HK$0.30 per Share. The initial Conversion Price was arrived at based on arm's length negotiation between the Company and the Investor, taking into account of, among other things, the following factors: (i) strategic value of the Investor; (ii) the amount of equity risk the Investor is willing to take given the Investor will subscribe for the Investor Subscription Shares for a consideration of US$48,685,000, which represented 50% of the total investment amount under the Investment Agreement, and exceeded the aggregate proceeds from the Placing and the Management Subscription; and (iii) other terms and conditions to the Convertible Bonds under which, in particular, the Investor is not entitled to any coupon payment and any performance targets.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Investor Subscription Shares and the Conversion Shares.

Completion of the Investment Agreement, the Investor Subscription and the issue of the Convertible Bonds are subject to the fulfillment of the conditions precedent in the Investment Agreement. As the Investor Subscription and the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Information on the Group, reasons and benefits for entering into the Investment Agreement and the use of proceeds

The Group focuses on the operation of automobile after-sales chain services network in the Greater China Region, providing basic automobile maintenance, car wash, professional detailing, modifications, minor body repairs services and the sales of auto accessory products (the "**Retail Business**"). With around 90 stores under its direct ownership and operation model, the Group currently controls the largest independent chain services network in the Greater China Region. For the first four months of 2013, the Group's retail chain stores in five major regions (including Shanghai, Shenzhen, Taiwan, Beijing and Changchun) served roughly 10,000 customers on an average daily basis.

In addition to its Retail Business, the Group also develops, manufactures, and distributes a wide range of automobile accessory products in both overseas and domestic China business, (the "**Manufacturing & Wholesale Business**"). The Group currently owns 16 wholesale stores across several tier-one provinces of China, (Zhejiang, Jiangsu, Hubei, Jiangxi, Anhui, Beijing, Liaoning, and HeiLongJiang), and serving approximately 15,000 wholesale customers on annual basis. Its customers include larger 4S dealerships such as Nanjing Langchi Group, DFS Industrial Group and Guang Cheng Automobile Group, to small independent chains, and mom & pop stores. The Group also owns two major factories in Shanghai and Shandong. The Group produces several environmentally friendly products including jump starters, power pack, in-car inverters, warmers/coolers, HID lights and booster cable. Its major customers include Autozone Inc., Wal-Mart Stores Inc., Canadian Tire Corporation, Ltd., Ring Automotive Ltd. and DAS Companies Inc. Since January 2013, the Group has become the licensee manufacture and distribution partner of Michelin lifestyle products in China. The Company has also hired a new general manager in June 2012 with an objective to further improve the performance of its Manufacturing & Wholesale Business.

With the automobile ownership in China expected to grow in double digits in the next decade and the average age of vehicles increases from current 3.5 years to worldwide industry norm of 8-10 years, the Company expects that the automobile after-sales market in the Greater China region remains very promising, yet is it still relatively fragmented and there exist many opportunities for potential consolidation. Therefore, the Group aims to significantly increase its automobile after-sales chain services network via organic growth and through selected acquisition to capture market shares.

2012 was a significant year for the Group's strategic transformation from manufacturing to service focused, Mr. Chang was hired as the chief executive officer of the Company in February 2012 to engineer and implement the transformation. During the year, the Group had achieved the following major milestones in developing its Retail Business during the year:

(a) acquired the remaining 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd;

(b) acquired 51% equity interest in Changchun Guangda Automobile Trading Co., Ltd.;

(c) acquired 100% equity interest in IPO Automotive Co., Ltd and obtained an expertise in high-end professional automobile detailing business as well as exclusive chemical products patent;

(d) completed the re-formatting of the layout and decoration of all B2C stores in Shanghai and four selected stores in Taiwan;

(e) completed the information system upgrade for its stores in Shanghai, Shenzhen and Taiwan;

(f) introduced Rt-Mart Co., Ltd. as its strategic partner in China; and

(g) had opened 13 stores in China since February 2012.

The Directors believe that results and economic benefits of the above-mentioned developments are yet to be fully recognized by the Group. At the same time, it is necessary for the Group to improve its short-term liquidity given that its current cash position is less than its short-term debt obligation and would restrain flexibility of the Group in carrying out its expansion plans in the near future. As at 31 December 2012, the consolidated cash and cash equivalents position of the Group was approximately RMB133.7 million, while the current portion of its bank and other debt obligations amounted to approximately RMB448.7 million which comprised (i) Renminbi-denominated bonds of approximately RMB199.4 million ("**RMB Bonds**"); and (ii) secured bank borrowings of approximately RMB249.3 million ("**Secured Loans**").

Therefore, by introducing the Investor and entering into the Investment Agreement, it is envisaged that the Group would be able to (a) improve its short term liquidity position and recapitalize its balance sheet; (b) allow the management to spend more focus on business plan and expansion strategy; (c) leverage on the reputation of the Investor in China when expanding and carrying out its business plan; (d) gain immediate access to the network and local knowledge of the Investor in China; (e) further improve the management and corporate governance structure of the Company; and (f) ensure that it has the capital required for carrying out its business plan in the foreseeable future (e.g. potential acquisitions, opening of new stores) and further unlock the potential of the milestones it has already achieved.

The net proceeds from the issuance of the Investor Subscription Shares and the Convertible Bonds are estimated to be approximately US$92.5 million (equivalent to approximately HK$719.6 million), and are intended to be used as follows:

(a) approximately US$56.8 million (equivalent to approximately HK$441.9 million) for the expansion of the Group's auto chain services network by either acquisition or opening new stores;

(b) approximately US$16.2 million (equivalent to approximately HK$126.0 million) for improving the information technology and operation infrastructure of the Group; and

(c) the remaining balance of approximately US$19.5 million (equivalent to approximately HK$151.7 million) for satisfying outstanding loans and payables of the Group to Independent Third Parties who are not Shareholders.

The Company currently intends to use the remaining balance of the proceeds of approximately US$19.5 million above to partially repay the RMB Bonds whereas the balance will be funded by the internal resource of the Group. Subject to completion of the Investment Agreement and improvement in the balance sheet position of the Group, the Company would also consider to refinance the RMB Bonds. In respect of the Secured Loans, given most of the loans are being secured by the Group's assets, based on its past experience, the Company is of the view that it would be able to renew the Secured Loans (and such renewal is expected to be even easier with the completion of the Investment Agreement).

Having considered all the relevant factors, the Directors (other than members of the Whitewash IBC and the Independent Board Committee whose views are disclosed in their respective letters to the Independent Shareholders after taking into consideration the advice of the Independent Financial Adviser) consider that the Investment Agreement was entered into on normal commercial terms following arm's length negotiation between the Company and the Investor, and the terms of the Investment Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on the Investor

The Investor is a special purpose vehicle managed by CDH Management, an international alternative asset fund manager focusing on investments in private equity, venture capital, real estate, mezzanine and public equity markets. Each of the Investor and CDH Management is a third party independent of the Company and its connected persons and both the Investor and CDH Management (together with parties acting in concert with them) do not hold any Shares at the Latest Practicable Date.

FUTURE INTENTIONS OF THE INVESTOR REGARDING THE GROUP

The Investor intends that the Group will continue its existing business (which comprises the Retail Business and the Manufacturing & Wholesale Business). The Investor will continue to develop and strengthen the core business of the Group. Save as disclosed in this circular, the Investor does not intend to implement major changes (including the redeployment of fixed assets and the existing employees) in the Group. Leveraging on the Investor's reputation in China as well as the introduction of the New Directors to the Board, the Investor has confidence that the Group will become one of the top players in China's automobile after-market sales industry in the long term.

THE PLACING

The Placing Agreement

On 25 June 2013, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to act as the placing agent to procure placees, on a best-effort basis, to subscribe for up to 1,060,673,334 Placing Shares at the Placing Price of HK$0.30 per Placing Share.

As at the Latest Practicable Date, the Placing Agent is a third party independent of and not connected with the Company and its connected persons, and from the date of the Announcement until the Closing Date, the Placing Agent has not and will not hold any Shares for itself.

Placees

The Placing Agent will procure not less than six (6) Independent Placees, who are not Shareholders as at the Book-Building Date, to subscribe for the Placing Shares.

Number of Placing Shares

The number of Placing Shares subject to placement under the Placing Agreement shall be subject to the agreement of the Company and the Placing Agent. The Company currently plans to adjust the number of the Placing Shares subject to placement under the Placing according to its funding need for the purpose of the Existing Convertible Bonds Redemption. The total number of new Shares to be issued under the Placing and the Management Subscription will not be more than 1,060,673,334 Shares. Assuming the full completion of the Management Subscription, the Company currently expects that 1,008,806,667 Placing Shares will be subject to placement under the Placing.

The 1,008,806,667 Placing Shares represents (i) approximately 161.6% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 34.2% of the issued share capital of the Company immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

Placing Price

The Placing Price of HK$0.30 per Placing Share is the same as the Investor Subscription Price and the Management Subscription Price, and was determined after arm's length negotiations between the Company and the Placing Agent.

Conditions precedent to the Placing Agreement

Completion of the transactions contemplated under the Placing Agreement is conditional upon, among other things, the fulfillment or waiver (where permissible) of the following conditions:

(a) all relevant third party consents, waivers and regulatory approvals, including the Whitewash Waiver, having been granted by the SFC or other applicable governmental authority in connection with the Existing Convertible Bonds Redemption, the Investment Agreement and the Placing;

(b) the Company having obtained from its shareholders all necessary approvals required under the Articles, applicable law, the Listing Rules and the Takeovers Code:

(i) to increase the authorised share capital of the Company from HK$200,000,000 to HK$600,000,000 by the creation of 4,000,000,000 additional Shares;

(ii) for the Specific Mandates; and

(iii) for the Whitewash Waiver;

(c) the Listing Committee having granted the listing of and permission to deal in the Placing Shares;

(d) the Company having entered into the STIC Amendment Deed, the Management Subscription Agreement and the Investment Agreement, and all of the conditions precedent to completion thereunder having been satisfied or (to the extent legally permissible) waived save for conditions relating to the Management Subscription and the Placing;

(e) except for the Placing and the other Proposed Transactions, no issue of new Shares or other securities (including any options, warrants or convertible securities) by the Company having been publicly announced, agreed and/or completed after the date of the Placing Agreement;

(f) no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restrains, enjoins or otherwise prohibits consummation of the Placing or any of the other Proposed Transactions;

(g) the Placing Agent not becoming aware of any information or matter affecting the Group or the Placing that, in the Placing Agent's sole judgment, is inconsistent in a material and adverse matter with any such information or matter disclosed to the Placing Agent prior to the date of the Placing Agreement that, in the reasonable opinion of the Placing Agent, would be likely to prejudice materially the success of the Placing;

(h) the representations, warranties and undertakings by the Company under the Placing Agreement being true, correct and not misleading in all material respects as of the Closing Date or such other date specified in the Placing Agreement;

(i) the Company having performed or complied in all material respects with all agreements and covenants required by the Placing Agreement to be performed or complied with by it on or prior to the Closing Date;

(j) the Company having delivered to the Placing Agent certified true copies of the board minutes of the Company authorizing the entering into the Placing Agreement together with a certificate from a Director confirming or certifying the conditions precedent to the Placing Agreement;

(k) there not having occurred at any time prior to Completion (i) any suspension of dealings in the Shares for any period of more than three trading days except for any suspension of dealings in the Shares pending the issuance of the Announcement or any other announcements or circulars to be published by the Company under the Listing Rules regarding the Proposed Transactions; (ii) any cancellation of the listing of the Shares, on the Stock Exchange or the cancellation of the listing of the Taiwan Depository Receipts on the Taiwan Stock Exchange; or (iii) any adverse change, or any development (whether or not permanent) that has a material adverse effect on the business, financial condition or results of operations of the Group taken as a whole (subject to certain exceptions set forth in the Placing Agreement), which (in any case mentioned in (i) or (ii) or (iii) above), in the reasonable opinion of the Placing Agent, would be likely to prejudice materially the success of the Placing;

(l) the Placing Agent having received an irrevocable undertaking from the Investor in a form scheduled to the Placing Agreement;

(m) the Company having delivered an undertaking from Mr. Hung in favour of the Placing Agent for the lock-up of the Shares held by him for a period of 6 months after the Closing Date; and

(n) the Placing Agent having received a legal opinion from the Hong Kong legal adviser of the Company on the enforceability of the STIC Amendment Deed.

As at the Latest Practicable Date, none of the conditions above have been fulfilled.

Termination of the Placing Agreement

At any time prior to completion on the Closing Date, the Placing Agreement is subject to termination as follows:

(a) if any of the conditions under the Placing Agreement shall not have been satisfied to the satisfaction of or waived by the Placing Agent by 31 October 2013;

(b) if any of the covenants of the Company under the Placing Agreement shall have been breached such that the conditions precedent to the Placing Agreement would not have been satisfied and such by each, if capable of being cured, is not cured by the Company within fifteen Business Days after receipt of written notice of the Placing Agent;

(c) by the mutual agreement of the Company and the Placing Agent; or

(d) by the Placing Agent by giving notice in writing to the Company if there develops, occurs or comes into force any of the following:

(i) any new law or regulation or any change in existing laws or regulations which, in the opinion of the Placing Agent, has or may be or is likely to have a material adverse effect on the financial position of the Company or any of its subsidiaries as a whole;

(ii) any event, or series of events, beyond the reasonable control of the Placing Agent or any event or circumstances in the nature of force majeure, in each case involving or affecting the United States, the United Kingdom, the British Virgin Islands, Hong Kong, Taiwan, the PRC and the Cayman Islands or any jurisdictions relevant to any member of the Group (the "**Relevant Jurisdictions**");

(iii) a general moratorium on commercial banking activities declared by relevant authorities in any Relevant Jurisdiction or a material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in any Relevant Jurisdiction;

(iv) any change, or any development involving a prospective change, in or affecting any taxation, exchange controls, currency exchange rates or foreign exchange regulations, or the implementation of any exchange control in any Relevant Jurisdiction (except for the PRC);

(v) any authority or political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any director of the Company;

(vi) any prohibition on the Company for whatever reason from offering, allotting or issuing any of the Placing Shares pursuant to the terms of the Placing Agreement;

(vii) the chairman or chief executive officer or chief financial officer of the Company vacating his office;

(viii) the commencement by any regulatory or political body or organisation of any action against any member of the Group, any director of the Company or an announcement by any regulatory or political body or organisation that it intends to take any such action;

(ix) the chief executive officer or chief financial officer of the Company being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of the Company;

(x) any order, petition or resolution for the winding up of any member of the Group being made or entered or any composition or arrangement being made by any member of the Group with its creditors or any scheme of arrangement being entered into by any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group, or anything analogous thereto occurring in respect of any member of the Group;

(xi) any of the Proposed Transactions (other than the Placing and the Management Subscription) have been terminated or are unable to proceed on materially the same terms as contemplated under the relevant agreements for whatever reason;

(xii) any change in local, national or international financial, political, economic conditions, financial, banking, capital markets, currency exchange rates, credit default swap prices, secondary bond prices, exchange controls, or the occurrence of any event or series of events outside of the Placing Agent's control; or

(xiii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the Taiwan Stock Exchange, the London Stock Exchange, the New York Stock Exchange, Nasdaq National Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, due to exceptional financial circumstances or other similar reasons,

which, in the reasonable opinion of the Placing Agent, (i) is likely to or does prejudice materially (A) the success of the offering and distribution of the Placing Shares or (B) dealings in the Placing Shares in the secondary market, or (ii) make it (A) impractical or (B) inadvisable, to market the Placing Shares.

Placing commission

The Placing Agent shall receive a placing commission of 2% of the amount equal to the Placing Price multiplied by the number of the Placing Shares successfully placed to the Independent Placees procured by the Placing Agent.

Specific Mandate (Placing)

The Placing Shares will be allotted and issued pursuant to the Specific Mandate (Placing) proposed to be sought from the Shareholders at the EGM.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

Reasons for the Placing and use of proceeds

As a condition precedent to the Investment Agreement, the Company shall redeem all of the Existing Convertible Bonds. The Directors consider that the Placing represents a good opportunity to raise capital for the Company for the Existing Convertible Bonds Redemption while broadening the shareholder base of the Company. The Directors consider that the terms of the Placing Agreement and the Placing Price are fair and reasonable, and the Placing is in the interest of the Company and the Shareholders as a whole.

Assuming 1,008,806,667 Placing Shares are subject to placement under the Placing, the net proceeds to be received from the Placing is estimated to be approximately HK$296.6 million. The Company intends to use the proceeds for the Existing Convertible Bonds Redemption pursuant to the terms of the Existing Convertible Bonds as amended by the STIC Amendment Deed.

Completion of the Placing Agreement and the Placing are subject to the fulfillment of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE MANAGEMENT SUBSCRIPTION

The Management Subscription Agreement

On 25 June 2013, the Company and Mr. Chang entered into the Management Subscription Agreement pursuant to which Mr. Chang agreed to subscribe, or procure his associates (either Ms. Wang Chin-wei, Mr. Chang's spouse, or Full Chance Finance Limited, a company wholly-owned by Ms. Wang Chin-wei) to subscribe, for 51,866,667 new Management Subscription Shares at the Management Subscription Price of HK$0.30.

Number of the Management Subscription Shares

The 51,866,667 Management Subscription Shares represent (i) approximately 8.3% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.8% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

Management Subscription Price

The Management Subscription Price of HK$0.30 is the same as the Investor Subscription Price and the Placing Price and was determined after arm's length negotiations between the Company and Mr. Chang.

Conditions precedent to the Management Subscription Agreement

Completion of the transactions contemplated under the Management Subscription Agreement is conditional upon, among other things, the fulfillment of the following conditions:

(a) the SFC Executive having granted its consent to the Special Deal (Management Subscription), which is conditional upon, among other things, the opinion from the Independent Financial Adviser that the Special Deal (Management Subscription) is fair and reasonable and the approval of the Independent Shareholders;

(b) the Company having obtained approval from the Independent Shareholders of the Management Subscription Agreement and the Special Deal (Management Subscription); and

(c) the Listing Committee having granted the listing of and permission to deal in the Management Subscription Shares.

It is expected that the completion of the Management Subscription Agreement will take place on the Closing Date.

Termination of the Management Subscription Agreement

The Management Subscription Agreement shall be terminated if the conditions precedent have not been satisfied or (where permissible) waived by 31 October 2013.

Specific Mandate (Management Subscription)

The Management Subscription Shares will be allotted and issued pursuant to the Specific Mandate (Management Subscription) proposed to be sought from the Independent Shareholders at the EGM. Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Specific Mandate (Management Subscription).

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Management Subscription Shares.

Reasons for the Management Subscription and use of proceeds

In order to align the interest of the key management of the Company, as one of the conditions precedent to the Investment Agreement, the Investor requires Mr. Chang to co-invest additional capital into the Company. Also, pursuant to the Investment Agreement, the Company shall redeem certain Existing Convertible Bonds as a condition precedent to the Investment Agreement. The Directors consider that the Management Subscription by Mr. Chang represents a good opportunity to raise capital for the Existing Convertible Bonds Redemption, as well as to demonstrate to the Investor the commitment of its key management. The Directors (excluding Mr. Chang who have abstained from voting on the resolutions of the Board in respect of the Management Subscription Agreement and excluding members of the Independent Board Committee and the Whitewash IBC, whose views are disclosed in their respective letters to the Independent Shareholders after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Management Subscription Agreement and the Management Subscription Price are fair and reasonable, and the Management Subscription is in the interest of the Company and the Shareholders as a whole.

The net proceeds to be received from the Management Subscription is estimated to be approximately HK$15.6 million. The Company intends to use the proceeds primarily for the Existing Convertible Bonds Redemption.

Connected transaction and implications under the Listing Rules and the Takeovers Code

As at the Latest Practicable Date, Mr. Chang is an executive Director and the chief executive officer of the Company. Accordingly, Mr. Chang is a connected person of the Company and the Management Subscription constitutes a connected transaction of the Company. As the highest applicable percentage ratio (with the meaning ascribed to it under the Listing Rules) for the Management Subscription is more than 5%, the Management Subscription shall be subject to the approval of the Independent Shareholders by way of poll at the EGM. Mr. Chang and his associates shall abstain from voting at the EGM on the resolution in respect of the Management Subscription.

Save for Mr. Chang, no Directors have a material interest in the Management Subscription. Mr. Chang has abstained from voting on the resolutions in respect of the Management Subscription at the meeting of the Board.

The Management Subscription also constitutes a special deal of the Company under Rule 25 of the Takeovers Code. The Special Deal (Management Subscription) will be subject to the consent of the SFC Executive, the opinion of the Independent Financial Adviser that the terms of the Special Deal (Management Subscription) are fair and reasonable and the approval of the Independent Shareholders by way of poll at the EGM. Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Management Subscription and Special Deal (Management Subscription). Apart from Mr. Hung, Mr. Chang and Ms. Hung, no other Shareholders are interested in or involved in the negotiation of the Proposed Transactions. Please refer to the section headed "Takeovers Code Implications" of this letter for further details.

An application has been made by the Company to the SFC Executive for its consent to the Special Deal (Management Subscription). The Management Subscription will not proceed if the consent is not granted by the SFC Executive or the Independent Shareholders' approval is not obtained.

As at the Latest Practicable Date, Mr. Chang and his associates are the beneficial owner of 7,900,000 Shares representing approximately 1.3% of the issued share capital of the Company.

Completion of the Management Subscription Agreement and the Management Subscription are subject to the fulfillment of the conditions precedent in the Management Subscription Agreement. As the Management Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, none of the Investor, CDH Management and persons acting in concert with any of them holds any Shares.

Whitewash Waiver

As shown in the shareholding table under the sub-section headed "Effect on Shareholding Structure of the Company" of this letter, upon completion of the Investor Subscription, the Placing and the Management Subscription, the Investor and persons acting in concert with it will be interested in 1,262,564,333 Shares, representing approximately 42.8% of the enlarged issued share capital of the Company. Furthermore, upon the full conversion of the Convertible Bonds, the shareholding of the Investor and persons acting in concert with it will be increased to 2,889,580,226 Shares, representing approximately 63.2% of the enlarged issued share capital of Company assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds (assuming conversion at the initial Conversion Price of HK$0.2328). Under the Takeovers Code, the Investor would be obliged to make a general offer for all the securities of the Company not already owned by the Investor and the parties acting in concert with it, unless a whitewash waiver from strict compliance with Rule 26 of the Takeovers Code has been granted by the SFC Executive.

The Investor has applied to the SFC Executive for the Whitewash Waiver. The SFC Executive has indicated that he will grant the Whitewash Waiver, the granting of which will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM where voting on the relevant resolution(s) shall be taken by poll; (ii) the Investor and the parties acting in concert with it not having acquired any voting rights of the Company in the six months prior to the date of the Investment Agreement; and (iii) the Investor and the parties acting in concert with it not having any acquisitions or disposal of voting rights of the Company between the date of the Investment Agreement and completion of the Investment Agreement unless with prior consent of the SFC Executive.

Should the Investor, CDH Management and parties acting in concert with them hold more than 50% of the enlarged issued share capital of the Company upon completion of the Investor Subscription and conversion of the conversion rights attached to the Convertible Bonds, the Investor may increase its shareholding in the Company further without triggering any further general offer obligation under the Takeovers Code.

As (i) Mr. Chang is involved in the negotiation of the Investment Agreement and interested in the Special Deals which are conditional upon the completion of the Investment Agreement; (ii) Ms. Hung is interested in the Special Deal (Management Incentive Scheme) which is conditional upon the completion of the Investment Agreement; and (iii) Mr. Hung is a brother of Ms. Hung, Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Investment Agreement and the Whitewash Waiver. Apart from Mr. Hung, Mr. Chang and Ms. Hung, no other Shareholders are interested in or involved in the negotiation of the Proposed Transactions.

Apart from Mr. Chang, there is no other director of the Company who is involved in the discussions or negotiations of the Investment Agreement, the Placing, the Management Subscription or the Management Incentive Scheme or any other aspects of the Proposed Transactions.

The Proposed Transactions will not proceed if the Whitewash Waiver is not approved by the Independent Shareholders.

Special Deals

The following transactions constitute special deals of the Company under Rule 25 of the Takeovers Code and are subject to the consent of the SFC Executive, the opinion of the Independent Financial Adviser that the terms of such transactions are fair and reasonable and the approval of the Independent Shareholders by way of poll at the EGM:

(a) the subscription of Management Subscription Shares by Mr. Chang (or his designated associates) under the Management Subscription; and

(b) the proposed adoption of the Management Incentive Scheme and the proposed grant of the Management Options to Mr. Chang and Ms. Hung.

As (i) Mr. Chang is involved in the negotiation of the Investment Agreement and interested in the Special Deals which are conditional upon the completion of the Investment Agreement; (ii) Ms. Hung is interested in the Special Deal (Management Incentive Scheme) which is conditional upon the completion of the Investment Agreement; and (iii) Mr. Hung is a brother of Ms. Hung, Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions of the Independent Shareholders in respect of the Management Subscription, the Management Incentive Scheme and the Special Deals.

An application has been made by the Company to the SFC Executive for its consents to the Special Deals. The Special Deals will not proceed if such consents are not granted by the SFC Executive or if they are not approved by the Independent Shareholders.

No dealings

Each of the Investor, the STIC Entities, Mr. Chang, Mr. Hung and Ms. Hung has confirmed that neither it nor persons acting in concert with it has acquired any Shares or voting rights in the Company in the six-month period prior to the date of the Announcement.

Each of the Investor, the STIC Entities, Mr. Chang, Mr. Hung and Ms. Hung has also undertaken that it will not, and will procure the parties acting concert with it not to, acquire or dispose of any Shares or voting rights in the Company after the date of the Announcement and before the Closing Date except as contemplated under the Proposed Transactions.

MANAGEMENT INCENTIVE SCHEME

The Company proposes to adopt the Management Incentive Scheme pursuant to which the Management Options may be granted to certain senior management of the Company, including Mr. Chang, for up to an aggregate of 508,297,292 Shares.

Below is a summary of the material terms of the Management Incentive Scheme and the proposed Management Options:

Grantees and amount of Management Options to be granted:

Management Options for 508,297,292 Shares, in aggregate, will be granted to certain directors and senior management of the Company (the "**Grantees**"), including Mr. Chang, in the following proportion:

(a) 152,489,188 Shares to be granted to Mr. Chang; and

(b) up to 355,808,104 Shares to be granted to existing and/or future members of the senior management of the Company including Ms. Hung ("**Other Management Grantees**"), of which Management Options for 50,829,729 Shares will be granted to Ms. Hung.

Date of grant:

All Management Options are to be granted to a Grantee in two batches as follows:

(a) 50% of Mr. Chang's entitlement and such other Management Options which may be granted to the Other Management Grantees (which, in the aggregate, shall not be more than 50% of the Management Options) will be granted on the Closing Date (the "**First Batch Management Options**"); and

(b) the remaining Management Options will be granted 12 months after the date of grant of the First Batch Management Options (the "**Second Batch Management Options**").

Exercise price:

HK$0.30 per Share in respect of the First Batch Management Options; and

HK$0.39 per Share in respect of the Second Batch Management Options.

Adjustments:	In case of any alteration to the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company, the exercise price and the number of Shares to be issued upon the exercise of the outstanding Management Options shall be adjusted to prevent dilution or enlargement of the rights of the Grantees that would otherwise result.
Vesting of Management Options:	For all Management Options granted to a Grantee: (a) one-third would be vested upon the later of (i) 6 months after the date of grant; or (ii) the day on which the Company releases its audited consolidated financial statements for the year ending 31 December 2013; (b) one-third would be vested upon the later of (i) 18 months after the date of grant; or (ii) the day on which the Company releases its audited consolidated financial statements for the year ending 31 December 2014; and (c) the remaining one-third would be vested upon the later of (i) 30 months after the date of grant; or (ii) the day on which the Company releases its audited consolidated financial statements for the year ending 31 December 2015, provided that the vesting of the Management Options granted to the Other Management Grantees shall also be subject to board approval pursuant to the terms of the Management Incentive Scheme and satisfaction of certain performance targets as may be determined by the Board from time to time. The vesting of the Management Options granted to Mr. Chang is not subject to any performance target.
Validity period of Management Options:	The Management Options, if not exercised, shall automatically lapse on the fifth anniversary of the date of grant.

Effect of termination of employment or director service contract with the Group or winding-up of the Company:	When the employment or director service contract, as the case may be, between a Grantee and the Company is terminated, Management Options that have been vested before such termination shall remain valid on the same terms, and the remaining unvested Management Options shall automatically become invalid and be cancelled. All Management Options, if not exercised, shall automatically lapse upon the commencement of the winding-up of the Company.
Assignment and Transfer:	The Management Options are not assignable or transferable.

The 508,297,292 Shares to be allotted and issued upon the full exercise of the Management Options represent (i) approximately 81.4% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 17.2% of the issued share capital of the Company immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options) when the Management Options are granted; and (iii) approximately 10.0% of the enlarged issued share capital of the Company upon completion of the Investment Agreement, the Placing, the Management Subscription, the Investor Subscription, the full conversion of the Convertible Bonds and the full exercise of the Management Options.

The adoption of the Management Incentive Scheme and the grant of the Management Options are conditional upon:

(a) the approval of the Stock Exchange;

(b) the SFC Executive having granted its consent to the Special Deal (Management Incentive Scheme) conditional upon, among other things, the approval of the Independent Shareholders;

(c) the approval of Independent Shareholders of the Management Incentive Scheme, the grant of the Management Options and the Special Deal (Management Incentive Scheme) at the EGM; and

(d) the Investment Agreement becoming unconditional.

The Exercise Price of HK$0.30 per Share and HK$0.39 per Share were arrived at after arm's length negotiations between the Company and the Investor with reference to the Investor Subscription Price, the Management Subscription Price and the Placing Price, and further taking into account other factors including: (i) vesting period of the Management Options; and (ii) the performance targets to be imposed by the Board (members of which will mainly comprise the New Directors to be appointed by the Investor upon the Closing) for the vesting of the Management Options.

Upon full exercise of the Management Options, the Company would receive approximately HK$175.4 million from the proposed Grantees of the Management Options, which will be used for general working capital purposes.

Date of grant of the Management Options

The First Batch Management Options, which comprise Management Options in respect of not more than 254,148,646 Shares (representing 50% of the Management Options that may be granted under the Management Incentive Scheme) will be granted on the Closing Date to:

(a) Mr. Chang for 76,244,594 Shares, representing 50% of Mr. Chang's entitlement to Management Options for 152,489,188 Shares under the Management Incentive Scheme;

(b) Ms. Hung for 25,414,864 Shares, representing approximately 50% of Ms. Hung's entitlement to Management Options for 50,829,729 Shares under the Management Incentive Scheme; and

(c) other existing senior management of the Company for up to 152,489,188 Shares, representing approximately 50% of the Management Options for up to 304,978,375 Shares that may be granted to Other Management Grantees (except Ms. Hung) under the Management Incentive Scheme.

The Second Batch Management Options, which comprise the remaining Management Options not granted on the Closing Date and not forming part of the First Batch Management Options, will be granted 12 months after the Closing Date to:

(a) Mr. Chang for the remaining Management Options for 76,244,594 Shares that have not been granted to him;

(b) Ms. Hung for the remaining Management Options for 25,414,865 Shares that have not been granted to her; and

(c) other senior management of the Company at the date of grant of the Second Batch Management Options for the remaining Management Options that have not been granted under the Management Incentive Scheme.

The proposed grant of the Management Options (including both First Batch Management Options and Second Batch Management Options) to Mr. Chang and Ms. Hung have been approved by the Remuneration Committee and the Board, subject to the approval of the Independent Shareholders at the EGM. The proposed grant of the Management Options (including both First Batch Management Options and Second Batch Management Options) to Other Management Grantees (except Ms. Hung) will be subject to the approval by the Remuneration Committee and the Board shortly before the time of the grant, i.e. the Closing Date or 12 months after the Closing Date.

Vesting of the Management Options

All Management Options will be vested in three stages over 2.5 years after the date of grant as described above to make sure that the Grantees are encouraged to contribute to the success of the Company over a period of time in the future. The vesting of Management Options granted to Other Management Grantees will also be subject to the satisfaction of performance targets. Different Other Management Grantees will have different performance targets as may be determined by the Remuneration Committee and approved by the Board shortly before the time of the grant on the basis of key performance indicators relevant to the role and responsibility of the individual Grantees, such as financial performance and operational performance of the Group or the relevant subsidiary or geographical region. Vesting of the Management Options granted to Mr. Chang is not subject to any performance target. Vesting of the Management Options granted to Ms. Hung will be subject to the satisfaction of certain financial and operational performance targets of the Group's wholesale business in 2013, 2014 and 2015. The actual performance targets applicable to Ms. Hung will be determined and approved by the Remuneration Committee and the Board shortly before the date of grant.

Information on the Grantees

The proposed Grantees of the Management Options under the Management Incentive Scheme comprise Mr. Chang and Other Management Grantees, and the grant of Management Options to such Grantees (in respect of Mr. Chang and Ms. Hung) have been approved by, or (in respect of other Grantees) will be subject to the approval of, the Remuneration Committee and the Board. The Other Management Grantees are existing or future senior management of the Group to be selected by the Board based on past performance and past and potential contribution to the Group who are serving a professional or managerial grade or function or above in the Group. One of the Other Management Grantees is Ms. Hung, an executive Director, vice president and chief financial controller of the Company who, as at the Latest Practicable Date, is the beneficial owner of 383,145 Shares, representing approximately 0.06% of the issued share capital of the Company. Upon the Completion, Ms. Hung will continue to serve the Group as the chief operational officer of the Group's wholesale business. Apart from Mr. Chang and Ms. Hung, (i) no other Grantee holds or beneficially owns any Shares as at the Latest Practicable Date; (ii) no other current or future members of the Board (up to and including such time when the Board considers and approves the performance targets) will be a grantee of the Management Options; and (iii) no other Grantee will be a connected person of the Company at the time of the grant.

Connected transaction and implications under the Listing Rules and the Takeovers Code

The Management Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The grant of the Management Options is subject to approval by the Stock Exchange pursuant to Rule 15.02 of the Listing Rules. The adoption of the Management Incentive Scheme and the grant of the Management Options is condition upon, and will happen after, the completion of the Investment Agreement, the Placing and the Management

Subscription. Therefore, the Shares that may be issued on the exercise of the Management Options, i.e. up to 508,297,292 Shares, represent approximately 17.2% of the issued share capital of the Company at the time the First Batch Management Options are granted or issued in compliance with Rule 15.02(1) of the Listing Rules.

As at the Latest Practicable Date, Mr. Chang as a Grantee is an executive Director and the chief executive officer of the Company. Ms. Hung as a Grantee is an executive Director of the Company. Accordingly, Mr. Chang and Ms. Hung are connected persons of the Company and the grant of the Management Options to them constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For the proposed grant of Management Options to Mr. Chang and Ms. Hung, the highest applicable percentage ratio (with the meaning ascribed to it under the Listing Rules), on an aggregate basis, will be more than 5%, and as a result the Management Incentive Scheme and the subsequent grant of Management Options to Mr. Chang and Ms. Hung shall be subject to the approval of the Independent Shareholders by way of poll at the EGM. Mr. Chang and Ms. Hung, being proposed Grantees of the Management Options, and Mr. Hung, being a brother of Ms. Hung, will (together with their respective associates) abstain from voting at the EGM on the resolutions in respect of the Management Incentive Scheme and the grant of the Management Options.

Save for Mr. Chang, Ms. Hung and Mr. Hung, no Directors have a material interest in the Management Incentive Scheme or the grant of the Management Options. Mr. Chang, Ms. Hung and Mr. Hung have abstained from voting on the resolutions of the Board in respect of the Management Incentive Scheme and the grant of the Management Options.

The proposed adoption of the Management Incentive Scheme and grant of the Management Options to Mr. Chang and Ms. Hung thereunder also constitute a special deal under Rule 25 of the Takeovers Code. The Special Deal (Management Incentive Scheme) will be subject to the consent of the SFC Executive, the opinion of the Independent Financial Adviser that the terms of the Special Deal (Management Incentive Scheme) are fair and reasonable and the approval of the Independent Shareholders by way of poll at the EGM. Mr. Chang, Ms. Hung and Mr. Hung (together with their respective associates) will abstain from voting on the resolutions of the Independent Shareholders in respect of the Management Incentive Scheme, the grant of the Management Options and the Special Deal (Management Incentive Scheme). Apart from Mr. Hung, Mr. Chang and Ms. Hung, no other Shareholders are interested in or involved in the negotiation of the Proposed Transactions. Please refer to the section headed "Takeovers Code Implications" of this letter for details.

An application has been made by the Company to the SFC Executive for its consent of the Special Deal (Management Incentive Scheme). The adoption of the Management Incentive Scheme and the grant of the Management Options will not proceed if the consent is not granted by the SFC Executive or the Independent Shareholders approval is not obtained.

Specific Mandate (Management Options)

The Shares to be allotted and issued upon the exercise of the Management Options will be allotted and issued pursuant to the Specific Mandate (Management Options) proposed to be sought from the Shareholders at the EGM.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the new Shares to be issued by the Company upon the exercise of the Management Options by the Grantees.

Reasons for the proposed adoption of the Management Incentive Scheme and grant of Management Options

In addition to money capital, human resource is also critical to the future development of the Group. The purpose of the proposed Management Incentive Scheme and the grant of the Management Options thereunder is to provide incentives to the management who are regarded as valuable human resource of the Group to continuously drive the growth of the Group's businesses. The Directors also believe that, as a talent retention measure, the Management Options will provide the senior management with the opportunity of participating in the growth of the Group so as to align the interest of the senior management with the Company and the Shareholders. The Management Incentive Scheme and the grant and allocation of the Management Options, were proposed at the request of the Investor and the relevant terms were discussed between the Company and the Investor.

In view of (i) the experience, expertise, past and potential contributions of Mr. Chang and Ms. Hung as well as their important roles in the ongoing success and smooth operations of the Group in the future, (ii) the staged vesting period of the Management Options which ensures that Mr. Chang and Ms. Hung are appropriately incentivised to contribute to the success of the Group over a period of time in the future, the Board (excluding the members of the Independent Board Committee and the Whitewash IBC, Mr. Chang, Ms. Hung and Mr. Hung) are of the view that the proposed grant of Management Options for an aggregate of 152,489,188 Shares to Mr. Chang and an aggregate of 50,829,729 Shares to Ms. Hung, representing approximately 30% and 10%, respectively, of the Management Options that may be granted under the Management Incentive Scheme, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the change in shareholding structure of the Company upon completion of the transactions as contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement, alongside with the exercise of the Management Options:

Shareholders	As at the Latest Practicable Date		Upon completion of the Management Subscription but before (i) the Placing; (ii) the Investor Subscription; (iii) conversion of the Convertible Bonds; and (iv) exercise of the Management Options		Upon completion of the Management Subscription, and the Placing but before (i) the Investor Subscription; (ii) conversion of the Convertible Bonds; and (iii) exercise of the Management Options *(Notes 1 and 2)*		Upon completion of the Management Subscription, the Placing, the Investor Subscription but before (i) conversion of the Convertible Bonds; and (ii) exercise of the Management Options		Upon completion of the Management Subscription, the Placing, the Investor Subscription and conversion of the New Convertible Bonds (assuming full conversion at the initial Conversion Price of HK$0.2328) but before exercise of the Management Options *(Note 3)*		Upon completion of the Management Subscription, the Placing, the Investor Subscription, conversion of the Convertible Bonds (assuming full conversion at the initial Conversion Price of HK$0.2328) and exercise of the Management Options (assuming exercised in full)	
	No. of Shares	*% (approx.)*	*No. of Shares*	*% (approx.)*	*No. of Shares*	*% (approx.)*	*No. of Shares*	*% (approx.)*	*No. of Shares*	*% (approx.)*	*No. of Shares*	*% (approx.)*
Mr. Hung *(Note 4)*	169,506,120	27.1%	169,506,120	25.1%	169,506,120	10.1%	169,506,120	5.8%	169,506,120	3.7%	169,506,120	3.3%
Mr. Chang and his spouse *(Note 5)*	7,900,000	1.3%	59,766,667	8.8%	59,766,667	3.5%	59,766,667	2.0%	59,766,667	1.3%	212,255,855	4.2%
Ms. Hung *(Note 6)*	383,145	0.1%	383,145	0.1%	383,145	0.0%	383,145	0.0%	383,145	0.0%	51,212,874	1.0%
Other Grantees of the Management Options *(Note 7)*	–	–	–	–	–	–	–	–	–	–	304,978,375	6.0%
Other senior management *(Note 8)*	102,408,283	16.4%	102,408,283	15.1%	102,408,283	6.1%	102,408,283	3.5%	102,408,283	2.2%	102,408,283	2.0%
The Investor	–	–	–	–	–	–	1,262,564,333	42.8%	2,889,580,226	63.2%	2,889,580,226	56.8%
Independent Placees in the Placing	–	–	–	–	1,008,806,667	59.9%	1,008,806,667	34.2%	1,008,806,667	22.1%	1,008,806,667	19.8%
Public in Taiwan held under Taiwan Depository Receipts *(Note 9)*	89,850,000	14.4%	89,850,000	13.3%	89,850,000	5.3%	89,850,000	3.0%	89,850,000	2.0%	89,850,000	1.8%
Directors who will resign on the Closing Date *(Note 10)*	79,178,155	12.7%	79,178,155	11.7%	79,178,155	4.7%	79,178,155	2.7%	79,178,155	1.7%	79,178,155	1.6%
Other public Shareholders in Hong Kong	175,196,363	28.1%	175,196,363	25.9%	175,196,363	10.4%	175,196,363	5.9%	175,196,363	3.8%	175,196,363	3.4%
Total	**624,422,066**	**100%**	**676,288,733**	**100%**	**1,685,095,400**	**100%**	**2,947,659,733**	**100%**	**4,574,675,626**	**100%**	**5,082,972,918**	**100%**
Total public shareholding *(Note 11)*	265,046,363	42.4%	265,046,363	39.2%	1,273,853,030	75.6%	1,353,031,185	45.9%	1,353,031,185	29.6%	1,353,031,185	26.6%
The Investor and parties acting in concert with it	–	–	–	–	–	–	1,262,564,333	42.8%	2,889,580,226	63.2%	2,889,580,226	56.8%

Notes:

1. It is assumed that the Management Subscription has been completed and, therefore, 1,008,806,667 Shares are placed to Independent Placees under the Placing so that an aggregate of 1,060,673,334 new Shares are issued under the Management Subscription and the Placing.

2. The Existing Convertible Bonds Redemption will not result in any change in the shareholding structure of the Company.

3. Under the terms and conditions of the Convertible Bonds, the Bondholders shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to an extent that would result in the Company in breach of the public float requirement under Rule 8.08(1)(a) of the Listing Rules immediately after such conversion.

4. As at the Latest Practicable Date, Mr. Hung is the beneficial owner of the 169,506,120 Shares held by Sharp Concept Industrial Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Hung. Under the SFO, Mr. Hung is deemed to be interested in all these Shares held by Sharp Concept Industrial Limited.

5. As at the Latest Practicable Date, 150,000 Taiwan Depository Receipts, representing 150,000 Shares, were registered in the name of Ms. Wang Chin-wei, spouse of Mr. Chang. Besides, 7,750,000 Shares are registered in the name of and beneficially owned by Full Chance Finance Limited, the entire issue share capital of which is registered in the name of and beneficially owned by Ms. Wang Chin-wei. Under the SFO, Mr. Chang is deemed to be interested in all these Shares beneficially owned by Ms. Wang Chin-wei and Full Chance Finance Limited.

6. As at the Latest Practicable Date, Ms. Hung is the beneficial owner of 383,145 Shares. Ms. Hung will resign as a Director on the Closing Date.

7. Except for Mr. Chang and Ms. Hung, Grantees of the Management Options are senior management of the Company, none of whom are existing Shareholders or associates of existing Shareholders.

8. Other senior management who are existing Shareholders of the Company include shareholders, directors or senior management of the Company's non-wholly owned subsidiaries, who are not interested in or involved in any of the Proposed Transactions.

9. As at the Latest Practicable Date, out of the 90,000,000 Taiwan Depository Receipts representing 90,000,000 Shares, 150,000 Taiwan Depository Receipts were held by Ms. Wang Chin-wei, Mr. Chang's spouse. To the best of the Directors knowledge, the 89,850,000 Shares represented by the remaining 89,850,000 Taiwan Depository Receipts were held by the public in Taiwan.

10. Mr. Douglas Charles Stuart Fresco and Mr. Edward B. Matthew.

11. The following Shares are counted as part of public shareholding: (i) Shares held by the Independent Placees in the Placing; (ii) Shares held by public in Taiwan under Taiwan Depository Receipts of the Company; (iii) Other public Shareholders in Hong Kong; and (iv) shares held by Mr. Douglas Charles Stuart Fresco and Edward B. Matthew after their resignation as a condition precedent to the completion of the Investment Agreement.

INCREASE IN AUTHORIZED SHARE CAPITAL

As at the Latest Practicable Date, the authorized share capital of the Company is HK$200,000,000 divided into 2,000,000,000 Shares of which 624,422,066 Shares have been issued and fully paid. An aggregate of 4,458,550,852 new Shares will be issued upon the completion of the Investor Subscription, the Placing and the Management Subscription, the full conversion of the Convertible Bonds and the exercise of the Management Options. In order to accommodate the completion of the foregoing transactions and the future expansion and growth of the Company, the Directors propose to increase the Company's authorized share capital to HK$600,000,000 divided into 6,000,000,000 Shares by the creation of additional 4,000,000,000 unissued Shares. The Directors are of the view that the Share Capital Increase is in the interest of the Company and the Shareholders as a whole.

The Share Capital Increase is conditional upon the approval of the Shareholders through an ordinary resolution by way of poll at the EGM.

PROPOSED CHANGE OF DIRECTORS

As a condition precedent to the completion of the Investment Agreement, the existing Directors, except Mr. Hung and Mr. Chang, will all resign on or about the Closing Date. The Board proposes to appoint the New Directors nominated by the Investor pursuant to the Investment Agreement effective from the Closing Date and conditional upon the completion of the Investment Agreement and the approval of the Shareholders through an ordinary resolution by way of poll at the EGM.

Besides, Mr. Hung will be re-designated as a non-executive Director on the Closing Date.

Please refer to Appendix I to this circular for details, including information required under Rule 13.51(2) of the Listing Rules, of the proposed New Directors and Mr. Hung.

The Company will make further announcements under Rule 13.51(2) of the Listing Rules upon the appointment of the New Directors and resignation of the existing Directors.

PROPOSED CHANGE OF AUDITORS

In connection with the Investment Agreement and with a view to enhancing the standard of financial reporting and accounting practices of the Company, the Board will propose KPMG as new auditors of the Company to replace BDO Limited effective upon the formal appointment by the Board after the Closing Date at such remuneration to be fixed by the Directors. The proposed appointment of the new auditors will be conditional upon the approval of the Shareholders through an ordinary resolution by way of poll at the EGM.

The Company shall confirm that there is no disagreement between the Company and BDO Limited, and there is no matter relating to the resignation of BDO Limited that needs to be brought to the attention of the Shareholders, at the time of the resignation.

THE STIC AMENDMENT DEED

On 5 December 2011, the Company issued to the STIC Entities the Existing Convertible Bonds in the aggregate principal amount of US$38,201,001. As at the Latest Practicable Date, all of the Existing Convertible Bonds remain outstanding. It is a condition precedent to the completion of the Investment Agreement that the Existing Convertible Bonds shall be redeemed and cancelled in full by the Company.

On 25 June 2013, the Company and the STIC Entities entered into the STIC Amendment Deed pursuant to which, among other things, the terms and conditions of the Existing Convertible Bonds shall be amended so that the Company shall have the right and obligation to redeem the Existing Convertible Bonds in full upon the completion of the Placing with an aggregate redemption amount of US$40 million (equivalent to approximately HK$311.2 million).

The Existing Convertible Bonds Redemption will be made pursuant to the terms of the Existing Convertible Bonds as amended by the STIC Amendment Deed.

Reasons and benefits of entering into the STIC Amendment Deed

One of the terms to the Existing Convertible Bonds was that the Company would need to achieve certain growth in earning per share from 2011 to 2014 and, if it is unable to do so, it would be under the obligation upon the maturity of the Existing Convertible Bonds in 2015 to make a cash payment to the STIC Entities. This is an unconditional obligation on the part of the Company regardless as to whether any Existing Convertible Bonds has been converted in part or in full before the maturity date and whether STIC Entities have sold any or all of the conversion shares prior to the maturity date. Except for redemption at the request of the holders of the Existing Convertible Bonds upon the occurrence of specific events of defaults, there is no provision in the terms and conditions of the Existing Convertible Bonds for the early redemption of the Existing Convertible Bonds by the Company before the maturity date.

Furthermore, under the terms and conditions of the Existing Convertible Bonds, the STIC Entities may request for the redemption of the Existing Convertible Bonds at principal amount plus an internal rate of return of 20% upon the occurrence of specific events of default. Under the terms and conditions of the Existing Convertible Bonds, events of default include, but not limited to, the issuance of Shares by the Company in excess of its general mandate. Therefore, it is envisaged that the allotment and issue of new Shares under the Investment Agreement will, absent the amendments to the terms and conditions of the Existing Convertible Bonds under the STIC Amendment Deed, constitute an event of default.

Pursuant to the amendments to the terms and conditions under the STIC Amendment Deed, the Company will have the right to redeem the Existing Convertible Bonds in full at US$40 million so that the Company will no longer be subject to the fixed payment nor the 20% internal rate of return payable upon the event of default caused by the Placing, the Management Subscription or the Investor Subscription.

Mr. Chang An-Li, being a non-executive Director and the managing director of STIC Investments, Inc., the general partner of the STIC Entities, has abstained from voting in respect of the resolutions of the Board for approving the STIC Amendment Deed. Save for the above and having considered all the relevant factors, the Directors (excluding Mr. Chang An-Li) consider that the STIC Amendment Deed was entered into upon normal commercial terms following arm's length negotiation between the Company and the STIC Entities, and the terms of the STIC Amendment Deed and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

The amendment to the terms and conditions of the Existing Convertible Bonds pursuant to the STIC Amendment Deed shall be subject to the approval of the Stock Exchange under Rule 28.05 of the Listing Rules, but is not required to be approved by the Shareholders under the Listing Rules.

The Company has applied to the Stock Exchange for the approval of the amendment to the terms and conditions of the Existing Convertible Bonds pursuant to the STIC Amendment Deed.

Repurchase Code Implications

The Existing Convertible Bonds Redemption falls within the definition of *share repurchase* under the Repurchase Code. Despite the above, the Existing Convertible Bonds Redemption will be an exempt share repurchase under the Repurchase Code if it is a *"a share repurchase made in accordance with the terms and conditions attached to the shares being repurchased which either permit or required such share repurchase without the prior agreement of the owners of the shares"*. Under PN16 issued by the SFC, "terms and conditions attached to the shares" in the definition of "*exempt share repurchase*" will not be restricted to the initial terms and conditions at the time of the issue, but will also apply to terms and conditions that prevail from time to time. Considering that the amendments to the conditions of the Existing Convertible Bonds are applicable to the entire class of the Existing Convertible Bonds and the Existing Convertible Bonds Redemption, if proceeded will be made pursuant to the STIC Amendment Deed without the need of any separate prior approval of the STIC Entities, the Existing Convertible Bonds Redemption shall constitute an exempt share repurchase under the Repurchase Code and the principles set out in PN16.

The SFC Executive has granted a ruling that the Existing Convertible Bonds Redemption constitutes an exempt share repurchase under the Repurchase Code and is therefore not subject to the requirements under the Repurchase Code.

Information on the STIC Entities

The STIC Entities are funds managed by STIC Investments, Inc., a Korean private equity fund manager investing in Asia-based growth stage mid-cap companies. As at the Latest Practicable Date, the STIC Entities, STIC Investments, Inc. and their respective associates are third parties independent of and not connected with the Company and its connected persons and do not hold any Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities from the issue of equity securities in the twelve-month period immediately preceding the date of the Announcement.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Management Subscription Agreement and the transactions contemplated thereunder; (iv) the proposed adoption of the Management Incentive Scheme and grant of Management Options; (v) the Specific Mandates; (vi) the Whitewash Waiver; (vii) the Special Deals; (viii) Share Capital Increase; (ix) the proposed appointment of the New Directors; and (x) the proposed appointment of new auditors.

As at the Latest Practicable Date, (i) Mr. Chang and his associates are the beneficial owner of 7,900,000 Shares representing approximately 1.3% of the issued share capital of the Company; and (ii) Mr. Hung, Ms. Hung and their respective associates are the beneficial owner of 169,889,265 Shares representing approximately 27.2% of the issued share capital of the Company.

As at the Latest Practicable Date:

(a) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon Mr. Chang, Mr. Hung, Ms. Hung and their respective associates; and

(b) there were no obligations or entitlement of Mr. Chang, Mr. Hung, Ms. Hung and their respective associates;

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

(c) there were no discrepancy between the beneficial shareholding interests of Mr. Chang, Mr. Hung, Ms. Hung and their respective associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

There is a form of proxy for use at the EGM accompanying this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

From the Independent Board Committee

Pursuant to the Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders, being all the Shareholders except for Mr. Chang, Ms. Hung and Mr. Hung, as to (i) whether the Management Subscription Agreement, the transactions contemplated thereunder and the proposed grant of the Management Options to Mr. Chang and Ms. Hung are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole, and (ii) on how to vote, taking into account the recommendations of the Independent Financial Adviser.

The Independent Board Committee, after taking into account the advice from the Independent Financial Adviser, considers that the terms and conditions of the Management Subscription, the Management Incentive Scheme and the Management Options are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Management Subscription, the Management Incentive Scheme and the grant of the Management Options.

The text of the letter from the Independent Board Committee is set out on page 50 of this circular.

From the Whitewash IBC

Pursuant to the Takeovers Code, the Whitewash IBC comprising all non-executive Directors (except Mr. Chang An-li who is a management director of STIC Investments, Inc., the general partner of the STIC Entities) and all the independent non-executive Directors, has been established to advise the Independent Shareholders, being all the shareholders except for Mr. Chang, Ms. Hung and Mr. Hung, as to (i) the fairness and reasonableness of the terms of the Investment Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deals; and (ii) how to vote, taking into account the recommendations of the Independent Financial Adviser.

The Whitewash IBC, after taking into account the advice from the Independent Financial Adviser, considers that the terms and conditions of the Investment Agreement, the Special Deals and the Whitewash Waiver are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Investment Agreement, the Special Deals and the Whitewash Waiver.

The text of the letter from the Whitewash IBC is set out on pages 51 to 52 of this circular.

No members of the Independent Board Committee or the Whitewash IBC has any interest or involvement in the Investment Agreement, the Placing Agreement, the Management Subscription Agreement and transactions contemplated thereunder, the proposed Management Incentive Scheme and the grant of the Management Options thereunder, the Whitewash Waiver, the Specific Mandates and the Special Deals.

In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee, the Whitewash IBC and the Independent Shareholders. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee and the Whitewash IBC.

The text of the letter from the Independent Financial Adviser is set out on pages 53 to 99 of this circular.

From the Board

The Directors (including members of the Independent Board Committee and the Whitewash IBC after taking into consideration the advice of the Independent Financial Adviser, but except (i) Mr. Chang An-li who is a management director of STIC Investments, Inc., the general partner of the STIC Entities, and (ii) Mr. Chang who is involved in the negotiation of the Investment Agreement and interested in the Special Deals which are conditional upon the completion of the Investment Agreement, (iii) Ms. Hung who is interested in the Special Deal (Management Incentive Scheme) which is conditional upon the completion of the Investment Agreement; and (iv) Mr. Hung who is a brother of Ms. Hung) consider that the terms of the Investment Agreement, the Placing Agreement, the Management Subscription Agreement and transactions contemplated thereunder, the proposed Management Incentive Scheme and the grant of the Management Options thereunder, the Whitewash Waiver, the Specific Mandates and the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions as set out in the notice of the EGM to approve the Proposed Transactions and other matters set out in the notice.

FURTHER INFORMATION

Your attention is drawn to the text of the letters from the Independent Board Committee, the Whitewash IBC and the Independent Financial Adviser respectively containing their opinion regarding the Investment Agreement, the Management Subscription Agreement, the Management Incentive Scheme and the grant of the Management Options thereunder, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder.

Your attention is also drawn to the additional information set out in the appendices to this circular.

As the Completion is subject to the fulfilment of a number of conditions precedent under the respective agreements, the Proposed Transaction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

NEW FOCUS AUTO TECH HOLDINGS LIMITED
新焦點汽車技術控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 360)

17 July 2013

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION – MANAGEMENT SUBSCRIPTION AGREEMENT
(2) CONNECTED TRANSACTIONS – PROPOSED MANAGEMENT INCENTIVE SCHEME AND GRANT OF MANAGEMENT OPTIONS

We refer to the circular of the Company dated 17 July 2013 (the "**Circular**") to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires. We have been appointed by the Board as the Independent Board Committee to advise you as to whether the terms of the Management Subscription, the Management Incentive Scheme and the proposed grant of the Management Options are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Having considered the advice from the Independent Financial Adviser, we are of the view that the terms of the Management Subscription, the Management Incentive Scheme and the respective transactions contemplated thereunder (including but not limited to the issue of the Management Subscription Shares and the grant of Management Options) are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Management Subscription, the adoption of the Management Incentive Scheme, the proposed grant of the Management Options and the respective transactions contemplated thereunder to be presented at the EGM.

Yours faithfully,
Independent Board Committee

DU Hai-Bo
Independent non-executive Director

ZHOU Tai-Ming
Independent non-executive Director

UANG Chii-Maw
Independent non-executive Director

CHEUNG Chih T.
Independent non-executive Director

* *For identification purposes only*

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 360)

17 July 2013

To the Independent Shareholders

Dear Sir or Madam,

(1) ISSUE OF NEW SHARES AND US$48,685,000 CONVERTIBLE BONDS
(2) WHITEWASH WAIVER
(3) SPECIAL DEAL – MANAGEMENT SUBSCRIPTION AGREEMENT
(4) SPECIAL DEAL – PROPOSED MANAGEMENT INCENTIVE SCHEME AND GRANT OF MANAGEMENT OPTIONS

We refer to the circular of the Company dated 17 July 2013 (the "**Circular**") to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires. We have been appointed by the Board as the Whitewash IBC to advise you as to whether the terms of the Investment Agreement, the Placing Agreement, the Management Subscription Agreement, the Management Incentive Scheme, the proposed grant of Management Options, the Special Deals, the Whitewash Waiver and the transactions contemplated thereunder (the "**Transactions**") are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Having considered the terms of the Transactions and the advice from the Independent Financial Adviser, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

* *For identification purposes only*

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Investment Agreement (including but not limited to the issue of the Investor Subscription Shares and the Convertible Bonds), the Management Subscription, the adoption of the Management Incentive Scheme, the proposed grant of the Management Options, the Specific Mandates, the Special Deals and the Whitewash Waiver to be presented at the EGM.

Yours faithfully,
Whitewash IBC

HSU Ming Chyuan *Non-executive Director*	**DU Hai-Bo** *Independent non-executive Director*	**ZHOU Tai-Ming** *Independent non-executive Director*
UANG Chii-Maw *Independent non-executive Director*		**CHEUNG Chih T.** *Independent non-executive Director*

The following is the text of the letter of advice from Anglo Chinese Corporate Finance, Limited, the Independent Financial Adviser for incorporation into this Circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com
英高財務顧問有限公司
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

17th July, 2013

To the Independent Board Committee, the Whitewash IBC and the Independent Shareholders

Dear Sir or Madam,

(1) ISSUE OF NEW SHARES AND US$48,685,000 CONVERTIBLE BONDS AND SPECIFIC MANDATE
(2) SUBSCRIPTION OF NEW SHARES BY MANAGEMENT UNDER SPECIFIC MANDATE, CONNECTED TRANSACTION AND SPECIAL DEAL
(3) WHITEWASH WAIVER
(4) PROPOSED MANAGEMENT INCENTIVE SCHEME, SPECIFIC MANDATE, GRANT OF MANAGEMENT OPTIONS, CONNECTED TRANSACTION AND SPECIAL DEAL

I. INTRODUCTION

We refer to the announcement dated 26th June, 2013 of New Focus Auto Tech Holdings Limited (the "Company") and the circular dated 17th July, 2013 of the Company (the "Circular") in relation to, amongst other things, the issue of 1,262,564,333 new Investor Subscription Shares for a consideration of US$48,685,000 at the price of HK$0.30 each and the Convertible Bonds for a consideration equal to the aggregate principal amount of such Convertible Bonds of US$48,685,000 pursuant to the Investment Agreement, the redemption of the Existing Convertible Bonds in full upon completion of the Placing with an aggregate amount of US$40 million pursuant to the STIC Amendment Deed, the issue of not more than 1,060,673,334 Placing Shares at the price of HK$0.30 each to various Independent Placees pursuant to the Placing Agreement, the issue of 51,866,667 Management Subscription Shares at the price of HK$0.30 each to Mr. Chang, an executive Director and the chief executive officer of the Company or his associates pursuant to the Management Subscription Agreement and the adoption of the Management Incentive Scheme pursuant to which Management Options in respect of up to an aggregate of 508,297,292 Shares may be granted to certain senior management of the Company (collectively, the "Transactions").

Upon completion of the Investor Subscription, the Placing and the Management Subscription, the Investor and persons acting in concert with it will be interested in 1,262,564,333 Shares, representing approximately 42.8% of the enlarged issued share capital of the Company. Furthermore, upon the full conversion of the Convertible Bonds (but before exercise of the Management Options), shareholding of the Investor and persons acting in concert with it will be increased to 2,889,580,226 Shares, representing approximately 63.2% of the enlarged issued share capital of Company assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds (assuming conversion at the initial Conversion Price of HK$0.2328). Therefore, under the Takeovers Code, the Investor would be obliged to make a general offer for all the securities of the Company not already owned by the Investor and the parties acting in concert with it, unless a whitewash waiver from strict compliance with Rule 26 of the Takeovers Code has been granted by the SFC Executive.

In addition, each of the Management Subscription and the grant of the Management Options to Mr. Chang and Ms. Hung constitutes a connected transaction under the Listing Rules and a special deal under the Takeovers Code subject to approval by Independent Shareholders.

Pursuant to the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders, being all the Shareholders except for Mr. Chang, Ms. Hung and Mr. Hung, as to (i) whether the Management Subscription Agreement, and the transactions contemplated thereunder and the proposed grant of the Management Options to Mr. Chang and Ms. Hung are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) on how to vote, taking into account our recommendation.

Pursuant to the Takeovers Code, the Whitewash IBC comprising all non-executive Directors (except for Mr. Chang An-li who is a managing director of STIC Investments, Inc., the general partner of the STIC Entities) and all the independent non-executive Directors has been established to advise the Independent Shareholders, being all the Shareholders except Mr. Chang, Ms. Hung and Mr. Hung, as to (i) the fairness and reasonableness of the terms of the Investment Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deals; and (ii) how to vote, taking into account our recommendation.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Whitewash IBC and the Independent Shareholders in respect of the Investment Agreement, the Management Subscription Agreement, the proposed Management Incentive Scheme and the grant of the Management Options, the Whitewash Waiver and the Special Deals.

No member of the Independent Board Committee or the Whitewash IBC has any interest or involvement in the Transactions.

Details of the Transactions are set out in the sub-section headed "Letter from the Board" (the "Letter from the Board") contained in the Circular, of which this letter forms a part. Unless otherwise defined, expressions used in this letter shall have the same meanings as defined in the Circular.

II. BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, opinions and the facts supplied to us by the Company, including those contained or referred to in the Circular and the related announcements. We have reviewed, amongst other things, the published information on the Company including the annual reports of the Group for the five years ended 31st December, 2012 and the agreements relating to the Transactions. We have also discussed with the management of the Group, amongst other things, the business strategies and future plans for the Group, its performance and prospects, the background to and reasons for the Transactions and other alternative methods of financing which may provide new capital to the Group.

We refer to the responsibility statement set out in "Appendix III – General Information" contained in the Circular which confirms that the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration, and there are no other facts or matters not contained in the Circular, the omission of which would make any statement in the Circular misleading. In addition, the directors of the Investor also jointly and severally accept full responsibility for the accuracy of the information contained in the Circular relating to Investor, CDH Management, their associates and parties acting in concert with them (the "Investor Related Information"), and confirm, having made all reasonable enquiries, that to the best of their knowledge, the Investor Related Information contained in the Circular is accurate and complete and not misleading or deceptive, opinions expressed by the Investor, CDH Management, their associates and parties acting in concert with them in the Circular have been arrived at after due and careful consideration, and there are no other facts or matters not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have relied on the accuracy of the information, facts, representations and opinions expressed by the Company, the Investor and the Directors contained in and as referred to in the Circular. We have assumed that the information, facts, representations and opinions, including the Investor Related Information, were true at the time they were made and continue to be true, accurate and complete at the Latest Practicable Date.

We consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any information provided to us by the Company, the Investor, their respective advisers and, or the Directors, is untrue, inaccurate or incomplete or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the Circular. In line with normal practice we have not, however, conducted any independent investigation into the business and affairs of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. As the Independent Financial Adviser, we have not been involved in the negotiations relating to the terms of the Transactions. This letter is issued for the information of the Independent Board Committee, the Whitewash IBC and the Independent Shareholders solely for their consideration of the transactions as contemplated under the Investment Agreement, the Placing Agreement, the Management Subscription Agreement and the Management Incentive Scheme and the grant of the Management Options and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part nor be used for any other purposes, without our prior consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby we will receive any benefits from the Group or any of its associates.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

The Group is principally engaged in the provision of basic automobile maintenance, car wash, professional detailing, modifications, minor body repairs services and the sales of auto accessory products and it operates about 90 stores under its direct ownership and operation model, currently controlling the largest independent chain services network in the Greater China Region (the "Retail Business"). In addition, the Group owns two major factories in Shanghai and Shandong, develops and manufactures a wide range of environmentally friendly automobile accessory products including jump starters, powerpacks, in-car inverters, warmer/cooler, HID lights, booster cables, etc. and distributes such products to both overseas markets and domestic markets in the PRC (the "Manufacturing and Wholesale Businesses").

As part of the Group's Manufacturing and Wholesale Businesses, the Group currently owns 16 wholesale stores across several tier one provinces and municipalities of China including Zhejiang, Jiangsu, Hubei, Jiangxi, Anhui, Beijing, Liaoning, and Heilongjiang, and serving wholesale customers including large 4S dealerships to small sized independent chain stores, and other "mom and pop" stores.

According to the prospectus of the Company dated 17th February, 2005, the Group was founded in early 1990's by two of its executive Directors, Mr. Hung and Mr. Douglas Fresco, and a former executive Director, Mr. Norman Matthew, who were veterans in the trading of automotive accessories products for the U.S. and European aftermarkets. Recognising the potential in the automotive aftermarket business and the low production cost in the PRC, they decided to build a manufacturing centre of automotive accessories in the PRC. The Group has since the listing of the Company on the Stock Exchange in February, 2005 transformed from a manufacturer of automotive accessories to a major automobile after-sales services provider in the Greater China Region.

On 12th October, 2009, the Company issued 90,000,000 units of Taiwanese depository receipts, representing 90,000,000 Shares, on the Taiwan Stock Exchange.

Over the years the Group has achieved organic growth of its core business and expanded its services capabilities and geographical presence through a series of acquisitions in the Greater China Region. As set out in the Letter from the Board, during the year ended 31st December, 2012, the Group had achieved the following milestones in developing its Retail Business:

(i) acquired the remaining 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd ("Shenzhen Yonglonghang");

(ii) acquired 51% equity interest in Changchun Guangda Automobile Trading Co., Ltd. ("Changchun Guangda") in July, 2012, which was expected to enhance the leading position and business scale of the Group in the automotive aftermarket in the PRC;

(iii) acquired 100% equity interest in IPO Automotive Corporation Limited ("IPO Automotive") in Taiwan in November, 2012, which allowed the Group to obtain an expertise in high-end professional automobile detailing business as well as exclusive chemical products patent;

(iv) completed the re-formatting of the layout and decoration of all B2C stores in Shanghai and four selected stores in Taiwan;

(v) completed the information system upgrade for its stores in Shanghai, Shenzhen and Taiwan;

(vi) introduced Rt-Mart Co., Ltd. as its strategic partner in China. The alliance is expected to shorten the period of building the brand name, New Focus (新焦點), and allow both parties to share their resources; and

(vii) opened 13 stores in China since February, 2012.

The Company has in June, 2012 hired a new general manager with an objective to further improve the performance of its Manufacturing and Wholesale Businesses.

In January, 2013, the Company announced that the Manufacturing and Wholesale Businesses executed a cooperation agreement with Michelin, a global leading tyres manufacturer, and the Group became its authorised manufacturer and distribution partner in China.

For the first four months of 2013, the Group's retail chain stores in five major regions (including Shanghai, Shenzhen, Taiwan, Beijing and Changchun) served roughly 10,000 customers on an average daily basis.

2. Historical financial performance of the Group

2.1 Consolidated statement of comprehensive income

The following table summarises the audited financial results of the Group for each of the five years ended 31st December, 2012 as extracted from the annual reports of the Company for the respective years:

	For the year ended 31 December,					CAGR 2008-2012
	2008	**2009**	**2010**	**2011**	**2012**	
	(RMB millions except for EPS)					
Total Revenue	**707.4**	**642.3**	**1,076.8**	**1,493.1**	**1,397.9**	**18.6%**
YoY %		*(9.2%)*	*67.6%*	*38.7%*	*(6.4%)*	
Gross Profit	**165.6**	**184.6**	**304.2**	**406.5**	**394.2**	**24.2%**
Margin %	*23.4%*	*28.7%*	*28.3%*	*27.2%*	*28.2%*	
YoY %		*11.5%*	*64.8%*	*33.6%*	*(3.0%)*	
Net Profit	**12.8**	**17.1**	**47.6**	**60.5**	**(357.9)**	**N/A**
Margin %	*1.8%*	*2.7%*	*4.4%*	*4.1%*	*(25.6%)*	
YoY %		*33.6%*	*178.4%*	*27.1%*	*N/A*	
Diluted EPS (RMB cents)	**1.54**	**2.43**	**6.12**	**4.86**	**(47.40)**	**N/A**
YoY %		*57.8%*	*151.9%*	*(20.6%)*	*N/A*	

Note: EPS = Earnings per Share; YoY = Year on year change and N/A = Not applicable

As illustrated in the table above, the revenue of the Group increased from approximately RMB707.4 million for the year ended 31st December, 2008 to approximately RMB1,397.9 million for the year ended 31st December, 2012, representing a compound annual growth rate ("CAGR") of approximately 18.6% over the period. The increase in revenue was mainly driven by, amongst other things, the continuing growth of the Company's core business and increasing sales volume as a result of a number of merger and acquisition transactions over the past five years. Due to the slowdown of the global economy which has affected China's recent economic development and loss of orders arising from the change of management of the Manufacturing and Wholesale Businesses in the first half of 2012, the Group's revenue declined by approximately 6.4% to approximately RMB1,397.9 million for the year ended 31st December, 2012 from approximately RMB1,493.1 million for the year ended 31st December, 2011.

In line with the revenue growth of the Group, the gross profit of the Group increased from approximately RMB165.6 million for the year ended 31st December, 2008 to approximately RMB394.2 million for the year ended 31st December, 2012 respectively, representing a CAGR of approximately 24.2% over the period. It is also noted that the gross profit margin of the Group ranging from approximately 23.4% to 28.7% was relatively stable over the years from 2008 to 2012.

The net profit of the Group increased steadily from 2008 to 2011 and the Group enjoyed a CAGR of approximately 67.7% during this period. However, a net loss of approximately RMB357.9 million was recorded for the year ended 31st December, 2012.

During the year ended 31st December, 2012, the Company incurred an impairment loss on goodwill amounting to approximately RMB164.7 million in connection with the Zhejiang Autoboom Industrial Co., Ltd ("Zhejiang Autoboom"), Liaoning Xin Tian Cheng Industrial Co., Ltd ("Liaoning XTC"), Hubei Autoboom Auto Accessories Supermarket Co., Ltd ("Hubei Autoboom") and Xinjiaodian (Chengdu) Auto Maintain Co., Ltd. The Company also incurred an impairment loss on other intangible assets of approximately RMB123.3 million for the year ended 31st December, 2012 in connection with primarily Zhejiang Autoboom and Liaoning XTC which are both engaged in wholesale activities of the Group's Manufacturing and Wholesale Businesses. In addition, Zhejiang Autoboom and Liaoning XTC incurred an impairment loss on property, plant and equipment of approximately RMB2.5 million and approximately RMB1.7 million respectively in 2012.

We were informed by the management of the Group that the aforementioned impairment losses were made mainly because the performances of subsidiaries acquired before 2012 and engaged in wholesale activities were not as satisfactory as the Company originally anticipated due to, amongst other things, the slowing PRC economy. As such, the Company decided to incur one-time restructuring costs by writing off a portion of the goodwill, intangibles and other assets of these entities. Following these write offs, the Group will continue to integrate the businesses and centralise the management of the acquired entities in order to streamline the operational structures and logistical systems of the Group and achieve stronger brand building for the Group.

Furthermore, we note that sales and marketing expenses and administrative expenses grew approximately 34.4% and 71.9% respectively for the year ended 31st December, 2012, which was attributable to costs incurred in the process of consolidating the businesses of entities acquired by the Group in recent years and additional expenses on the Group's rebranding exercise and reformation of chain stores. At the same time, the Group reduced their inventory level by liquidating excess inventories. These had also contributed to the net loss position of the Group for the year ended 31st December, 2012.

2.2 *Consolidated statement of financial position*

The following table summarises the audited financial position of the Group for each of the five years ended 31st December, 2012 as extracted from the annual reports of the Company for the respective years.

	For the year ended 31st December,					
	2008	**2009**	**2010**	**2011**	**2012**	**CAGR**
			(RMB millions)			
Cash And Equivalents	95.7	85.6	83.0	326.8	133.7	8.7%
Current Assets	363.3	365.7	647.5	982.1	788.3	21.4%
Current Liabilities	247.1	208.1	609.0	602.6	878.7	37.3%
Net Current Assets/(Liabilities)	116.2	157.6	38.5	379.5	(90.4)	N/A
Total Assets	617.8	687.0	1,354.2	1,903.8	1,694.1	28.7%
Total Liabilities	331.5	242.2	687.6	1,028.2	1,168.4	37.0%
Net Assets	286.3	444.8	666.6	875.6	525.7	16.4%
Equity attributable to owners of the Company	252.8	394.3	482.8	617.7	284.4	3.0%
Non-controlling interests	33.5	50.5	183.8	257.9	241.3	63.8%
Current ratio	1.47	1.76	1.06	1.63	0.90	
Quick ratio	0.70	0.79	0.34	0.93	0.37	
Gearing ratio*	71%	11%	55%	82%	208%	

* *(Short term borrowings + Long term borrowings) /Equity attributable to owners of the Company*

As shown in the table above, the net asset value of the Group increased from approximately RMB286.3 million for the year ended 31st December, 2008 to approximately RMB525.7 million for the year ended 31st December, 2012, representing a CAGR of approximately 16.4%.

However, it is noteworthy that the Group was in a net current liabilities position as at 31st December, 2012. The deteriorating working capital position was evident in (i) the significantly lower cash and cash equivalents of approximately RMB133.7 million as at 31st December, 2012 as compared to the balance of cash and cash equivalents of approximately RMB326.8 million as at 31st December, 2011; (ii) the declining current ratio from 1.63 as at 31st December, 2011 to 0.90 as at 31st December, 2012; and (iii) the declining quick ratio from 0.93 as at 31st December, 2011 to 0.37 as at 31st December, 2012.

In order to improve its liquidity position, since Mr. Chang has joined the Group in early 2012, the new management of the Group led by Mr. Chang has liquidated excess inventories and tightened the terms of trade with customers while negotiating better terms of trade with the suppliers for the year ended 31st December, 2012. We note that the inventories and trade receivables in the Group's consolidated balance sheet as at 31st December, 2012 decreased by approximately RMB16.6 million and RMB37.2 million, and its trade payables as at 31st December, 2012 increased by approximately RMB25.8 million, from the respective balances as at 31st December, 2011. However, in terms of turnover days, the Group's turnover days of inventories and trade receivables of 110.2 days and 55.5 days respectively for the year ended 31st December, 2012 were higher than 91.5 days and 43.5 days respectively for the year ended 31st December, 2011, although the turnover days of the Group's trade payables have improved from 59.5 days for the year ended 31st December, 2011 to 84.8 days for the year ended 31st December, 2012. This shows the liquidity position of the Group as of 31st December, 2012 remained tight.

Despite the new management's efforts to improve the working capital position of the Group as described above, the gearing ratio of the Group has increased since 2010 given that the Group has previously incurred significant debt to finance its merger and acquisition activities. Included in the Group's debt obligations are the RMB denominated bonds in an aggregate outstanding amount of RMB199.4 million as at 31st December, 2012 which will mature on 17th August, 2013 (the "RMB Bonds"). We also note that the Group has additional liability towards the STIC Entities concerning the early redemption of the Existing Convertible Bonds as explained in the sub-section headed "7.2 The STIC Amendment Deed, the Placing Agreement and the Management Subscription Agreement" below. It is therefore necessary for the Group to ensure that it has adequate financial resources to cover all its short term liabilities such that its business operations would not be adversely affected.

2.3 Changes in cash flow positions

The net cash outflows from operating activities of the Group decreased from approximately RMB25.5 million for the year ended 31st December, 2011 to approximately RMB5.1 million for the year ended 31st December, 2012. However, as a result of the considerations paid for acquisitions of subsidiaries of approximately RMB79.2 million and the increase in pledged time deposits of approximately RMB5.0 million in 2012 as compared to a decrease in pledged time deposits of approximately RMB117 million in 2011, the net cash outflows from investing activities of the Group increased from approximately RMB48.7 million for the year ended 31st December, 2011 to approximately RMB221.5 million for the year ended 31st December, 2012. The proceeds from issue of the RMB Bonds and the Existing Convertible Bonds, totaling approximately RMB442.0 million, in 2011 offset by increase in proceeds from new bank loans of approximately RMB102.0 million in 2012 further contributed to a significant decline in net cash inflows from financing activities of the Group from approximately RMB338.7 million for the year ended 31st December, 2011 to approximately RMB33.6 million for the year ended 31st December, 2012.

The changes in cash flows from operating, investing and financing activities have resulted in a decrease in cash and cash equivalents from RMB326.8 million as at 31st December, 2011 to approximately RMB133.7 million as at 31st December, 2012.

2.4 Capital and operating lease commitments

As shown in notes 36 and 37 to the consolidated financial statements of the Group for the year ended 31st December, 2012 set out in the 2012 annual report of the Company, as at 31st December, 2012, the Group had capital and other commitments of approximately RMB46.6 million and operating lease commitments of approximately RMB267.0 million. The capital and other commitments relate to construction of buildings, and purchase of properties, plant and equipment. The operating lease commitments represent outstanding minimum commitments under non-cancellable operating leases relating to leases of land and buildings of the Group.

2.5 Audit opinion

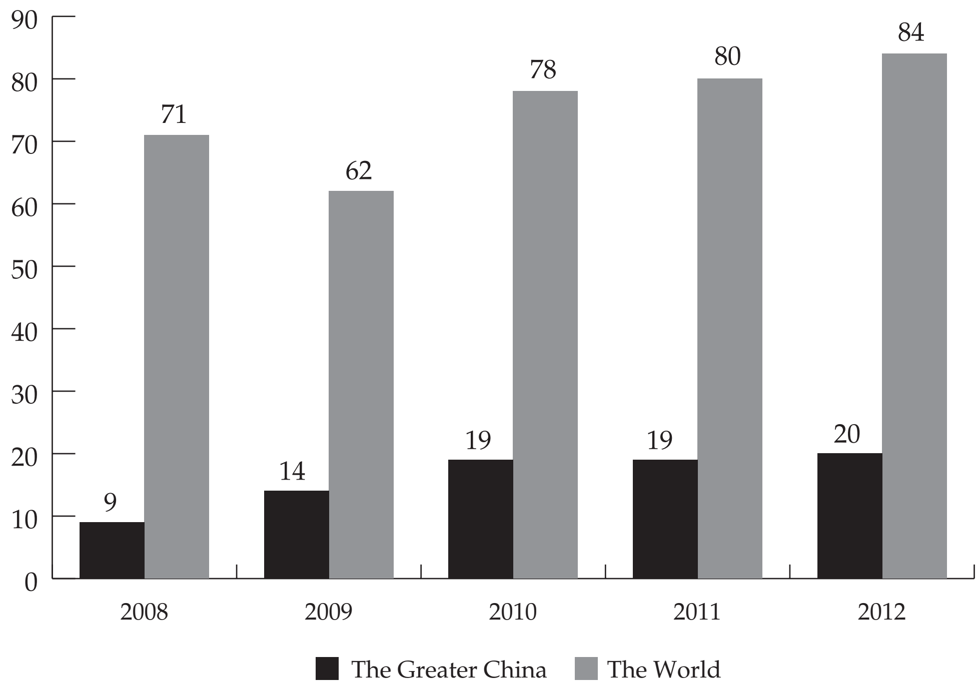
As shown in the 2012 annual report of the Company, the auditors of the Group issue a true and fair view on the state of affairs of the Company and the Group as at 31st December, 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. However, without qualifying the audit opinion, the auditors of the Group emphasise in its opinion that the Group incurred a loss of approximately RMB357.86 million for the year ended 31st December, 2012 and, as of 31st December, 2012, the Group's and the Company's current liabilities exceeded the current assets by approximately RMB80.42 million and RMB97.80 million, 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.

3. Industry Overview

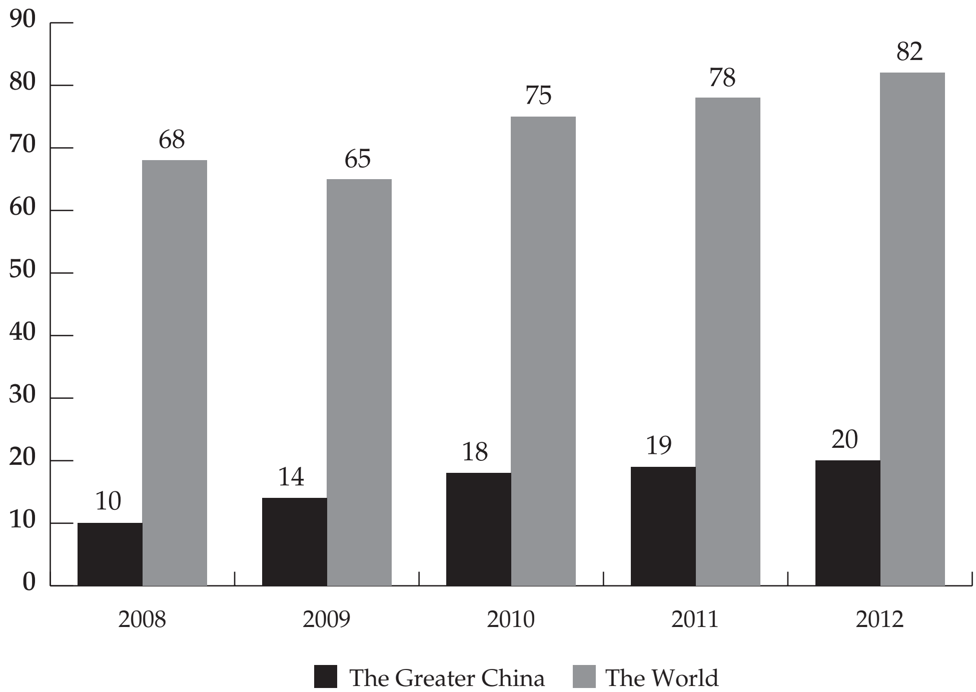
3.1 The PRC automobile industry

The automobile industry in the PRC has grown notably and outperformed the global automobile industry in recent years. Set out below are statistics about the global automobile production and sales volume:

Number of units produced for all types of vehicles in the Greater China and the World (approximate amounts in millions)



Number of units sold for all types of vehicles in the Greater China and the World (approximate amounts in millions)



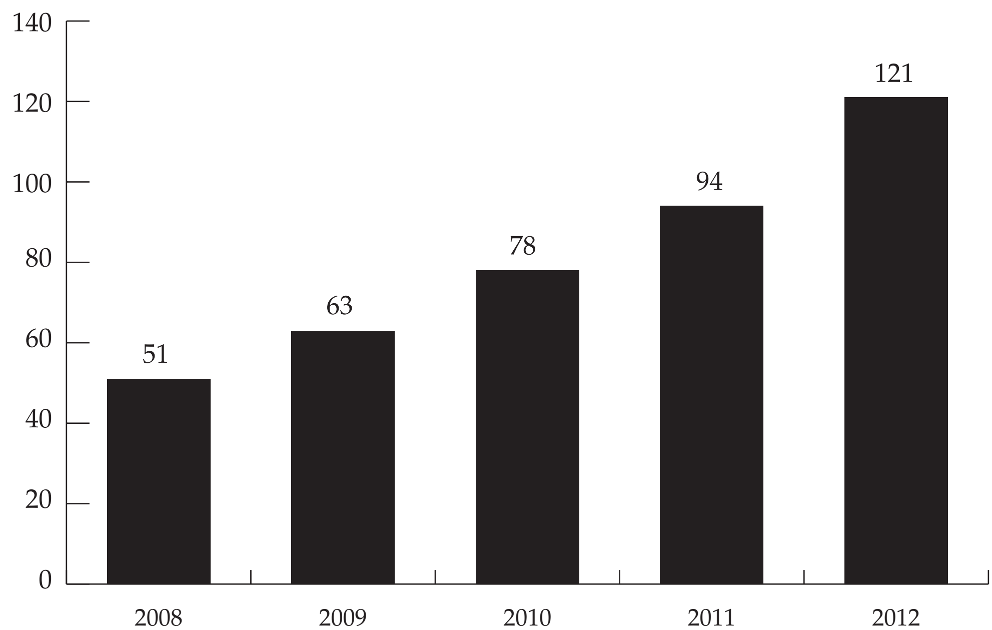
Source: International Organization of Motor Vehicle Manufacturers (OICA)

As illustrated above, the production and sales units for all types of vehicles in the PRC and Taiwan (the "Greater China") have grown at a CAGR of approximately 19.9% and 19.6% in the past five years, respectively, while the world production and sales units for all types of vehicles, respectively, recorded a CAGR of approximately 4.5% and 4.7% only.

According to China Association of Automobile Manufacturers (中國汽車工業協會), the new automobile sales in China are expected to reach 25 million units by 2015.

According to National Bureau of Statistics of China (中國國家統計局), the vehicle ownership for civilian use in the PRC (中國民用汽車擁有量) has increased steadily from 2008 to 2012, at a CAGR of approximately 24.1%. Set out below are statistics about the vehicle ownership for civilian use in the PRC (中國民用汽車擁有量) from 2008 to 2012:

Vehicle Ownership for Civilian Use in the PPC
(approximate amounts in millions)



Sources: China Statistical Yearbook 2012《中國統計年鑒2012》 and Statistical Communiqué of the People's Republic of China on the 2012 National Economic and Social Development《中華人民共和國2012國民經濟和社會發展統計公報》 issued by National Bureau of Statistics of China (中國國家統計局).

According to the World Bank, China has a very low motor vehicle ownership penetration rate of 58 per 1,000 people in 2010 only. This contrasts a higher penetration rate of 591 per 1,000 people and 797 per 1,000 people in such developed markets as Japan and the US, respectively. The gap in the penetration rate between China and other developed markets is expected to narrow due to, amongst other things, the increasing GDP per capital in China in recent years.

3.2 The PRC automobile after-sales market

According to China Association of Automobile Manufacturers (中國汽車工業協會), in most developed countries such as the United States, large chain stores normally dominate the market share of the automobile after-sales market. In countries in Asia Pacific such as Taiwan, Japan and Korea, the market share is roughly equally split amongst chain stores, 4S stores and independent stores. In the PRC, the automobile after-sales market is predominately shared by 4S stores and small independent "mom and pop" stores. Chain stores currently have only captured approximately 10% of the market share of the automobile after-sales market in China. The management of the Group therefore considers that this presents a valuable opportunity for the Group to gain market share over independent stores in the automobile after-sales market in the Greater China as brand recognition of one-stop chain stores gradually increases.

In addition, as disclosed in the Letter from the Board, with the automobile ownership in China expected to grow in double digits in the next decade and the average age of vehicles increases from current 3.5 years to worldwide industry norm of 8-10 years, the Company expects that the automobile after-sales market in the Greater China remains very promising, yet is it still relatively fragmented and there exist many opportunities for potential consolidation. As vehicles increase in age, vehicle owners tend to incur more vehicle repair and maintenance expenditures. The aging of passenger vehicles in China is therefore expected to contribute further to the growth of the automobile after-sales market and this represents a good opportunity for the Group to expand its automobile after-sales business in the PRC more rapidly.

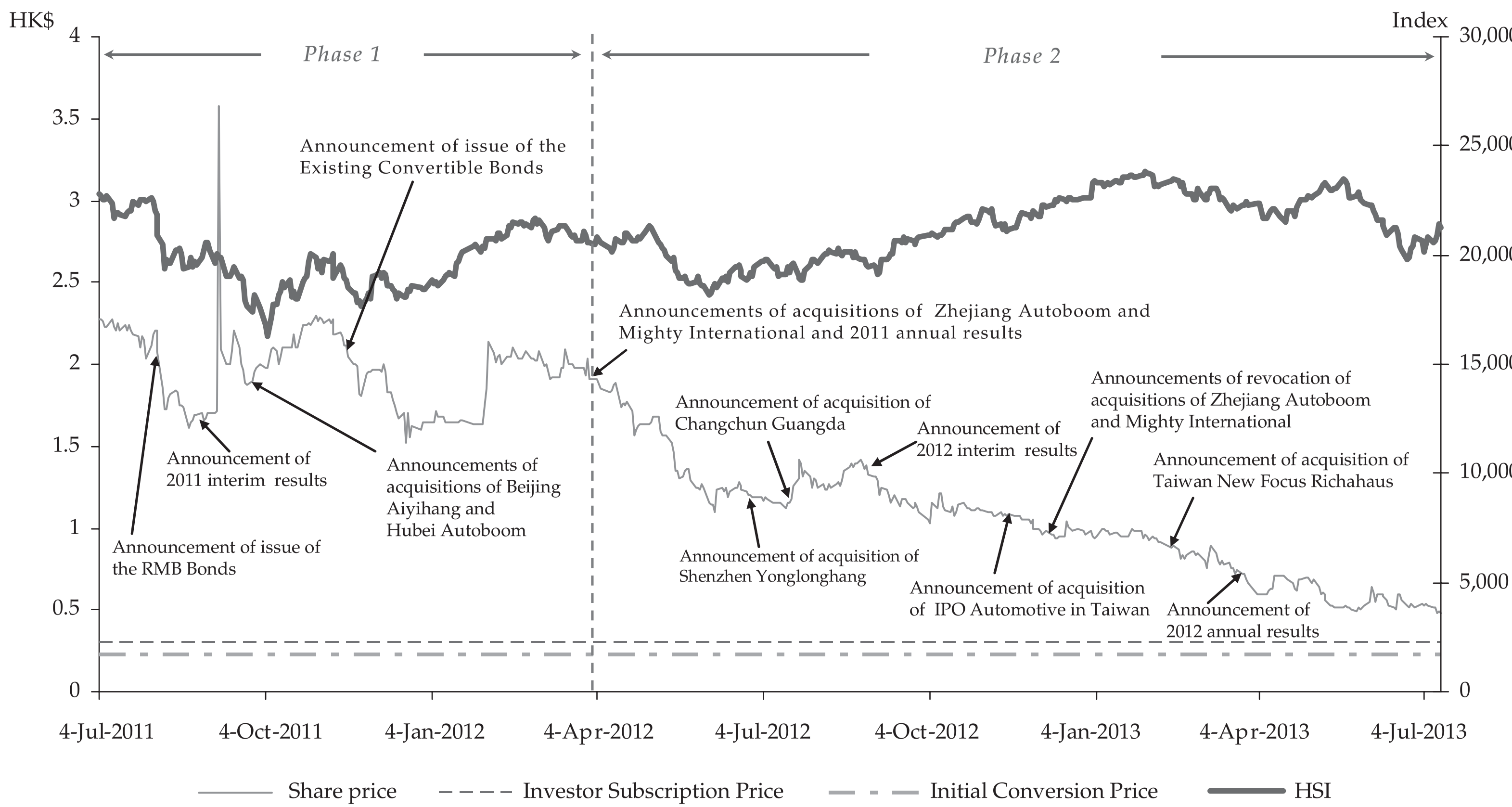
Based on our discussions with management of the Group and review of the annual reports of the Company, in relation to the key business strategies of the Group going forward, the Group intends to become a leading fully integrated automobile service chain under one brand, one management and a centralised system and expand its automobile aftermarket business by adding more automobile service retail centers in the Greater China in relation to the Retail Business. To further strengthen the Manufacturing and Wholesale Businesses, the Group will enhance its strong product R&D capabilities, reinforce the Group's regional sales channels and presence in the PRC and explore new synergies derived from centralised procurement.

4. Historical price performance and liquidity of the Shares

4.1 Historical Share price performance

The chart below illustrates the correlations of the closing prices of the Shares as quoted on the Stock Exchange, the Investor Subscription Price and the initial Conversion Price with the Hang Seng Index ("HSI") during the past two years from 4th July, 2011 to the Latest Practicable Date (the "Review Period"):

Performance of the Share price and HSI during the Review Period



Source: Bloomberg and website of the Stock Exchange

Note: Beijing Aiyihang refers to Beijing Aiyihang Auto Services Ltd.; Mighty International refers to Mighty International Limited and Taiwan New Focus Richahaus refers to New Focus Richahaus Co., Ltd.

As noted from the sub-section headed "2. Historical financial performance of the Group" above, the financial results of the Group over the four financial years ended 31st December, 2011 have been satisfactory but they have notably deteriorated in the financial year ended 31st December, 2012. We have therefore chosen a relatively longer Review Period which covers the periods before and after the publication of the financial results of the Group for the latest two financial years ended 31st December, 2012 to assess, amongst other things, the relationship between the financial performance of the Group in recent financial years and the Share price performance during the Review Period.

As shown in the chart above, the Share price has underperformed the HSI during the Review Period. It registered a significant decrease of approximately 79.1% during the Review Period compared to a smaller decrease of approximately 6.4% in HSI for the same period.

We have divided the Review Period into two phases: phase 1 starts from the beginning of the Review Period on 4th July, 2011 and ends on the trading day immediately before the publication of announcement of 2011 annual results of the Company on 30th March, 2012. Phase 2 represents the remaining period which ends on the Latest Practicable Date.

The Share price fluctuated between HK$1.52 to HK$2.3 per Share in phase 1 of the Review Period if we ignore the unusual Share price movement on 8th September, 2011 when the Share price soared to HK$3.58 per Share on that day from HK$1.72 per Share on the previous trading day and immediately declined to HK$2.09 per Share on the next trading day. The Company published an unusual price movement announcement and informed its Shareholders of a possible acquisition under negotiation after trading hours on 8th September, 2011. During phase 1 of the Review Period, the Company made two acquisitions to enhance the control of its non-wholly owned subsidiary in Beijing and expand its reach and market share in the auto supplies and services business market in the PRC. The Company also conducted fund raising activities including the issue of the RMB Bonds and the Existing Convertible Bonds to support the business growth of the Group. The Share price movement in phase 1 was generally in line with HSI.

However, the Share price performance diverged from the HSI in phase 2 of the Review Period. On 30th March, 2012, the Company entered into two agreements to acquire a land in Shanghai, the PRC to establish the headquarters of the Group and to purchase additional stake in a non-wholly owned subsidiary, Zhejiang Autoboom, which were both subsequently revoked on 7th December, 2012, and published its annual results announcement for the year ended 31st December, 2012. During the phase 2 of the Review Period, the Company also made a number of acquisitions with a view to increasing the market share and enhancing the overall performance of the Group. However, the synergies of the acquisitions have yet to be realised as reflected in the unsatisfactory results of the Group for the year ended 31st December, 2012. It can be seen from the chart above that the Share price showed a downward trend in phase 2 and it decreased significantly by approximately 75.1% from HK$1.91 per Share on 30th March, 2012 to HK$0.475 per Share on the Latest Practicable Date, whereas the HSI has recorded a small increase of approximately 3.6% in this period. This had resulted in a growing divergence between the Share price and HSI in phase 2 of the Review Period.

As shown in the chart above, the Investor Subscription Price and the initial Conversion Price were lower than the Share price throughout the Review Period. Please refer to the sub-section headed "7.1.3 The Investor Subscription Price and the initial Conversion Price" below for our analysis on the Investor Subscription Price and the initial Conversion Price.

4.2 *Trading volume and liquidity of the Shares*

Set out in the table below is a summary of the average daily trading volume and the percentage of the average daily trading volume of the Shares to the weighted average number of Shares in issue for each month of the Review Period:

Period	Average daily trading volume *(approximate number of Shares)*	Weighted average number of Shares in issue *(approximate number of Shares)*	Percentage of average daily trading volume of the Shares to weighted average number of Shares in issue *(approximate %)*
July, 2011	55,669	576,582,652	0.01%
August, 2011	173,560	583,476,878	0.03%
September, 2011	375,512	582,156,878	0.06%
October, 2011	326,001	578,776,878	0.06%
November, 2011	208,841	576,716,878	0.04%
December, 2011	96,422	576,716,878	0.02%
January, 2012	30,105	576,658,878	0.01%
February, 2012	101,064	576,600,878	0.02%
March, 2012	39,172	576,112,878	0.01%
April, 2012	214,278	574,350,878	0.04%
May, 2012	53,830	573,076,878	0.01%
June, 2012	111,654	573,076,878	0.02%
July, 2012	226,462	573,076,878	0.04%
August, 2012	269,118	573,076,878	0.05%
September, 2012	53,318	573,076,878	0.01%
October, 2012	64,748	582,189,912	0.01%
November, 2012	118,810	591,302,946	0.02%
December, 2012	175,045	591,302,946	0.03%
January, 2013	171,057	591,302,946	0.03%
February, 2013	178,320	591,302,946	0.03%
March, 2013	163,980	606,177,818	0.03%
April, 2013	267,033	621,052,690	0.04%
May, 2013	368,623	622,737,378	0.06%
June, 2013	730,007	624,422,066	0.12%

Source: Bloomberg and website of the Stock Exchange

During the Review Period, save for June, 2013 when the announcement related to the Transactions was published, which had led to higher trading volume of the Shares, the monthly average daily trading volume of the Shares as a percentage of the monthly weighted average number of Shares in issue ranged from approximately 0.01% to 0.06%. The liquidity of the Shares has thus been very low during the Review Period.

5. Background and reasons for the Investment Agreement

Since Mr. Chang has joined the Group in early 2012, the new management of the Group led by Mr. Chang has been taking various measures to improve the performance of its Retail Business and Manufacturing and Wholesale Businesses with a view to becoming a leading one-stop automotive after-sales services provider in the Greater China Region. In light of the favourable outlook of the automobile after-sales market in the Greater China as discussed in the sub-section headed "3. Industry Overview" above, the Company believes that there exist many opportunities for potential consolidation and expansion of the Group's business. We were informed that the Group aims to partner with a strategic investor who shares the same view and vision, to provide sufficient growth capital for the Group to capture the opportunity to increase its automobile after-sales chain services network via organic growth and through selected acquisition to capture market shares.

However, as discussed in the sub-section headed "2. Historical financial performance of the Group" above, the Group was in a net current liabilities position as at 31st December, 2012 and it incurred a significant loss of approximately RMB357.9 million for the year ended 31st December, 2012 which was mainly due to substantial write-offs of goodwill and intangible assets associated with a series of mergers and acquisitions conducted by the Group in recent years. In addition, the RMB Bonds of approximately RMB199.4 million will be due on 17th August, 2013 and with a cash balance of approximately RMB133.7 million, one of the key issues for the Group to resolve immediately is to renew or refinance the RMB Bonds.

In this regard, we understand from the management of the Company that the ability of the Company to negotiate for the renewal or refinancing of the RMB Bonds would largely depend on the progress made by the Company in recaptisalising its balance sheet and improving its cash position through raising new capital. With a view to improving its liquidity position and securing enough funding to carry out its business plans, the Company had been talking to a few potential independent investors on a confidential basis but taking into account a number of factors, it has decided to enter into further negotiations with the Investor as discussed in the sub-section headed "6. Other financing alternatives" below. By introducing the Investor and entering into the Investment Agreement, the Group would be able to (i) improve its short term liquidity position and recapitalize its balance sheet; (ii) allow the management to focus on implementing the Group's business plan and expansion strategy; (iii) leverage on the reputation of the Investor in China when expanding and carrying out its business plan; (iv) gain immediate access to the network and local knowledge of the Investor in China; (v) further improve the management and corporate governance structure of the Company; and (vi) ensure that it has the capital required for carrying out its business plan in the foreseeable future (e.g. potential acquisitions, opening of new stores) and further unlock the potential of the milestones it has already achieved.

Please refer to the Letter from the Board for further details regarding the reasons and benefits for entering into the Investment Agreement and other transactions contemplated thereunder.

6. Other financing alternatives

In addressing the issues as described in the sub-section headed "5. Background and reasons for the Investment Agreement" above, the Company has considered a number of financing alternatives.

On the debt financing side, the management of the Group advised us that since the auditors of the Company have expressed a going concern opinion in the 2012 annual report of the Company and the gearing ratio of the Group was high, in the absence of any clear indication of a significant improvement of the balance sheet position of the Group, in general, banks and creditors are reluctant to provide new financing to the Group.

On the equity financing side, we understand the Company has considered a rights issue which will give an opportunity to all Shareholders to participate in the subscription for new Shares to be issued by the Company on a pro rata basis as well as a share placement. However, taking into account the unsatisfactory price performance and low trading volume of the Shares in recent periods, as shown in the sub-section headed "4. Historical price performance and liquidity of the Shares" above as well as the unsatisfactory annual results for the year ended 31st December, 2012 as illustrated in the sub-section headed "2. Historical financial performance of the Group" above, similar to the situation of debt financing, in the absence of any clear indication of a significant improvement of the balance sheet position of the Group, based on the Company's preliminary enquiries made with banks and securities firms, it would be unlikely to secure investors' interest to procure sufficient equity financing to improve the financial position.

The Company has also been engaged in discussions with a number of independent investors regarding the possibility of raising new equity capital from these investors. However, after several rounds of due diligence and negotiations of terms with such investors, the Company has finally selected the Investor to be its strategic partner having regard to the reputation, business network and local knowledge of the Investor as well as the terms of the proposed Transactions. Based on the information provided to us by the Company, including indicative term sheets reviewed by us, we note that in addition to the strategic value of the Investor as discussed above, the Company has taken into account, amongst other things, the investment amount, the type of instrument (new shares or convertibles), percentage of shareholding to be acquired by the potential investors, requirements on performance targets, terms of the convertible instruments and treatment of the Existing Convertible Bonds, before it decided to enter into the Investment Agreement and the transactions contemplated thereunder.

7. The Transactions

7.1 The Investment Agreement

On 25th June, 2013, the Company entered into the Investment Agreement with the Investor pursuant to which, amongst other things, the Company agreed to issue and the Investor agreed to subscribe for:

(i) 1,262,564,333 new Investor Subscription Shares for a consideration of US$48,685,000 at the Investor Subscription Price of HK$0.30 per Share to be settled in US dollars; and

(ii) the Convertible Bonds in the aggregate principal amount of US$48,685,000 for a consideration equal to the principal amount of such Convertible Bonds to be settled in US dollars.

Please refer to the Letter from the Board for details regarding the conditions precedent to the Investment Agreement, termination of the Investment Agreement, the adjustment to the number of Investor Subscription Shares, the undertakings, covenants and indemnity of each of the Company and the Investor and other major terms and conditions.

As one of the key conditions for the Investment Agreement, the Company is required to redeem the Existing Convertible Bonds in full. The Company intends to fund such redemption using the proceeds from the Placing and the Management Subscription. Save for the purpose of the Existing Convertible Bonds Redemption, the Management Subscription is required by the Investor as a condition to the Investment Agreement in order to demonstrate the commitment of Mr. Chang. For further details including background of the Existing Convertible Bonds Redemption, the Placing and the Management Subscription, please refer to the sub-section headed "7.2 The STIC Amendment Deed, the Placing Agreement and the Management Subscription Agreement" below.

The 1,262,564,333 Investor Subscription Shares represent (i) approximately 202.2% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 42.8% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

Completion of the Investment Agreement will take place on the Closing Date. It is expected that completion of the Placing, the Management Subscription and the Existing Convertible Bonds Redemption will take place substantially simultaneous with the completion of the Investment Agreement, with the Placing and the Management Subscription completed before and for providing the funds for the Existing Convertible Bonds Redemption, followed by the completion of the Investment Agreement.

7.1.1 The Management Lock-up Undertaking

Mr. Chang will undertake, under his director service agreement with the Company that he will not, and will procure his associates not to, sell or otherwise dispose of any of the Shares beneficially owned by him or his associates as at the date of the Investment Agreement and the Management Subscription Shares for a period of three years from the Issue Date, except for pledges or charges in favour of banks or financial institutions as security for loans provided to Mr. Chang or the relevant associates that may be allowed under the terms of the director service agreement (the "Management Lock-Up Undertaking") but restrictions under the Management Lock-Up Undertaking shall cease to have effect in circumstances referred to in the Letter from the Board.

After completion of the Placing and the Investor Subscription, the Investor will become the single largest Shareholder with the right to nominate a majority of the members of the Board and the chief financial officer of the Company. As part of the terms of the Investment Agreement, Mr. Chang, who has joined the Group since February, 2012, is required to provide the Management Lock-up Undertaking to the Investor to ensure he will fully cooperate with the future Board and the new chief financial officer designated by the Investor to introduce business policies and improve the financial performance of the Group in the next three years in the best interests of the Company and its Shareholders (including Mr. Chang himself) as a whole.

7.1.2 The principal terms of the Convertible Bonds and the issue of the Conversion Shares

The Convertible Bonds in the aggregate principal amount of US$48,685,000 for a consideration equal to the principal amount of such Convertible Bonds to be settled in US dollars will be issued to the Investor. The Convertible Bonds, if not previously redeemed, purchased, cancelled or converted, will only be redeemed by the Company on the Maturity Date, being the fifth anniversary of the issue date from the Issue Date at an amount equal to its principal amount plus a premium representing a rate of 5% per annum compounded annually on each anniversary of the Issue Date up to the Maturity Date.

Based on the initial Conversion Price of HK$0.2328 per Conversion Share, 1,627,015,893 Conversion Shares will be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds in full, which represent (i) approximately 260.6% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 55.2% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options); and (iii) approximately 35.6% of the issued share capital immediately upon the Completion on the Closing Date and as enlarged by the issue and allotment of the Conversion Shares (but before the exercise of the Management Options).

Please refer to the Letter from the Board for other key terms of the Convertible Bonds.

7.1.3 The Investor Subscription Price and the initial Conversion Price

The Investor Subscription Price for the Investor Subscription Share is set at HK$0.30. This represents:

(i) a discount of approximately 36.8% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 41.2% to the closing price of HK$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 46.4% to the average closing price of approximately HK$0.560 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and

(iv) a discount of approximately 47.8% to the Group's published consolidated net asset per Share (excluding minority interest) as at 31st December, 2012 of approximately HK$0.575 per Share (based on a total of 624,422,066 Shares as at the Latest Practicable Date).

The initial Conversion Price for each Conversion Share is set at HK$0.2328. This represents:

(i) a discount of approximately 51.0% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 54.4% to the closing price of HK$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 58.4% to the average closing price of approximately HK$0.560 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and

(iv) a discount of approximately 59.5% to the Group's published consolidated net asset per Share (excluding minority interest) as at 31st December, 2012 of approximately HK$0.575 per Share (based on a total of 624,422,066 Shares as at the Latest Practicable Date).

The Investor Subscription Price was determined after arm's length negotiations between the Company and the Investor with reference to a number of factors, including, amongst other things, the recent trading price and trading volume of the Shares on the Stock Exchange, as well as the assets, liabilities, financial performance and business condition of the Company.

The initial Conversion Price of HK$0.2328 per Share represents a discount of approximately 22.4% to the Investor Subscription Price, the Placing Price and the Management Subscription Price of HK$0.30 per Share. The initial Conversion Price was arrived at based on arm's length negotiation between the Company and the Investor, taking into account, amongst other things, the following factors: (i) strategic value of the Investor; (ii) the amount of equity risk the Investor is willing to take given that the Investor will subscribe for the Investor Subscription Shares for a consideration of US$48,685,000, which represented 50% of the total investment amount under the Investment Agreement, and exceeded the aggregate proceeds from the Placing and the Management Subscription; and (iii) other terms and conditions to the Convertible Bonds under which, in particular, the Investor is not entitled to any coupon payment and any performance targets.

On the basis of the number of Investor Subscription Shares and the Convertible Bonds to be issued upon Closing and assuming the full conversion of the Convertible Bonds, the weighted average of the Investor Subscription Price and the initial Conversion Price is approximately HK$0.2622 per Share which represents:

(i) a discount of approximately 44.8% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 48.6% to the closing price of HK$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 53.2% to the average closing price of approximately HK$0.560 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and

(iv) a discount of approximately 54.4% to the Group's published consolidated net asset per Share (excluding minority interest) as at 31st December, 2012 of approximately HK$0.575 per Share (based on a total of 624,422,066 Shares as at the Latest Practicable Date).

Although the discounts of the Investor Subscription Price and the initial Conversion Price and their weighted average price to the quoted price/average closing price of the Shares and the consolidated net asset per Share are considerably large, having considered:

(i) the immediate financial obligations of the Group to repay the RMB Bonds which are shortly due on 17th August, 2013 and its significant liability towards the STIC Entities concerning the early redemption of the Existing Convertible Bonds absence of the execution of the STIC Amendment Deed;

(ii) the deterioration in the financial results of the Group for the year ended 31st December, 2012;

(iii) the unsatisfactory Share performance and poor liquidity of the Shares in recent years;

(iv) as discussed in the sub-section headed "6. Other financing alternatives" above in this letter, the inability of the Company to raise additional capital to resolve the Group's financial difficulties amicably via alternative financing methods;

(v) the fact that the Company has been in discussions with other potential independent investors before it finally decided to enter into the Investment Agreement; and

(vi) the initial Conversion Price being lower than the Investor Subscription Price to reflect (a) the more certainty given to the Company in terms of the level of participation in the equity of the Company by the Investor which will be interested in approximately 42.8% of the enlarged issued share capital of the Company upon completion of the Management Subscription, the Placing, the Investor Subscription but before the conversion of the Convertible Bonds and exercise of the Management Options and (b) the fact that the Investor is not entitled to other more favourable terms and conditions, particularly coupon payments and performance targets, which are attached to other convertible bonds including the Existing Convertible Bonds previously issued by the Company,

we consider that, on balance, the Investor Subscription Price and the initial Conversion Price are fair and reasonable.

In arriving at our view, we consider that the Investor Subscription Price and the initial Conversion Price should be assessed in light of the specific circumstances of the Group and with reference to the latest financial position of the Group as represented by a significant loss of RMB357.9 million for the year ended 31st December, 2012 and the net current liabilities of RMB90.4 million as at 31st December, 2012 as a result of the substantial decrease in cash and cash equivalents from RMB326.8 million as at 31st December, 2011 to RMB133.7 million as at 31st December, 2012. We therefore consider that as far as the Investment Agreement is concerned, it is not appropriate to compare the Investor Subscription Price and the initial Conversion Price directly with the historical prices of the Shares and reference them to the prevailing prices of other listed companies in the automobile-related sectors.

7.1.4 Use of proceeds from the Investment Agreement

Of the net amount of approximately US$92.5 million (equivalent to approximately HK$719.6 million to be raised from the issue of the Investor Subscription Shares and the Convertible Bonds, (i) approximately US$56.8 million (equivalent to approximately HK$441.9 million) will be used for the expansion of the Group's auto chain services network by either acquisition or opening new stores; (ii) approximately US$16.2 million (equivalent to approximately HK$126.0 million) will be used for improving the information technology and operation infrastructure of the Group; and (iii) the remaining balance of approximately US$19.5 million (equivalent to approximately HK$151.7 million) will be used for settling loans and payables due to third parties who are not Shareholders.

We note from the information provided to us by the Group that capital expenditures to be incurred by the Group mostly relate to the opening of new one-stop services, detailing and body repair shops in the Greater China Region and renovation of the Group's existing stores within the next three years. As for the existing loans and payables due to third parties who are not Shareholders, as of 31st December, 2012, short term portion of the bank and other borrowings of the Group amounted to approximately RMB448.7 million which comprise (i) the RMB Bonds of approximately RMB199.4 million; and (ii) secured bank borrowings of approximately RMB249.3 million ("Secured Loans"). The Company currently intends to partially repay the RMB Bonds from the net proceeds from the Investment Agreement referred to above. Subject to completion of the Investment Agreement and improvement in the balance sheet position of the Group, the Company would also consider refinancing the RMB Bonds. In respect of the Secured Loans, given that most of the loans are being secured by the Group's assets, based on its past experience, the Company is of the view that it would be able to renew the Secured Loans (and such renewal is expected to be even easier with the completion of the Investment Agreement).

In view of the above and having considered the facts that the Investment Agreement does not contain provisions restricting the use of proceeds from the Investment Agreement and pursuant to the working capital forecast for the next 12 months prepared by the Company, the Company has confirmed that upon completion of the Investment Agreement and in the absence of any unforeseen circumstances, the Group will have sufficient working capital for its operational needs, we are of the view that the proposed uses of proceeds from the issue of the Investor Subscription Shares and the Convertible Bonds and the current plan of refinancing the Group's loan repayments are fair and reasonable.

7.1.5 Information on the Investor and its intention regarding the Group

The Investor is a special purpose vehicle managed by CDH Management, an international alternative asset fund manager focusing on investments in private equity, venture capital and estate, mezzanine and public equity markets. The group of funds under the "CDH Investments" umbrella, including the Investor and CDH Management, has clients which are international and domestic international investors, including sovereign wealth funds, China's National Social Security Fund, international pension funds, endowments, family offices and fund of funds. CDH Investments has more than 70 investment and other professionals in offices in Hong Kong, Beijing, Shanghai, Singapore, Shenzhen and Jakarta. In 2012, CDH Investments ranked first in Forbes China's "Best Chinese PE Investment Institutions" league table.

According to the Letter from the Board, the Investor intends that the Group will continue its existing business (which comprises the Retail Business and the Manufacturing & Wholesale Business). The Investor will continue to develop and strengthen the core business of the Group. Save as disclosed in the Circular, the Investor does not intend to implement major changes (including the redeployment of fixed assets and the existing employees) in the Group. Leveraging on the Investor's reputation in China as well as the introduction of the New Directors to the Board, the Investor has confidence that the Group will become one of the top players in China's automobile after-market sales industry in the long term.

According to the terms of the Investment Agreement, the Investor shall be given the governance and information rights which include, amongst others, the nomination of four persons to be appointed and to continue in office as executive or non-executive Directors, one of which to act as the chairman of the Board, the nomination of three persons to be appointed and to continue in office as independent non-executive Directors, the nomination of a director nominated by the Investor to be appointed and to continue as a member of each of the audit committee, the nomination committee and the remuneration committee (and any other committee of the Board), the nomination of a person to be appointed and to continue in office as the chief financial officer of the Company and the right to receive the audited accounts of each principal subsidiary and the Group in respect of each financial year at the same time as the same is provided to the Shareholders, monthly management accounts of the Group and any information held by the Company which the Investor reasonably requires to keep it properly informed about the business and affairs of the Group to protect its interest as a holder of the Convertible Bonds.

We consider that aforementioned governance and information rights allow the Investor to closely monitor the ongoing business and financial performance of the Group on one hand and contribute its business experience and resources to the Group on the other hand with a view to creating strategic value and ensuring that its interest in the Company is aligned with the interests of the Company and the other Shareholders as a whole.

We note that although the Investor is given the right to nominate three new independent non-executive Directors and four other new executive and non-executive Directors who will be appointed and continue in office as Directors, pursuant to the terms of the Convertible Bonds, the removal of these Directors by the Shareholders other than the Investor will not constitute an event of default that will trigger any redemption of the Convertible Bonds under the terms of the Convertible Bonds. In addition, the Investor's right to nominate persons to be appointed and to continue in office as Directors, which is subject to compliance with the applicable law and the Listing Rules pursuant to the terms of the Investment Agreement, does not restrict or prevent the removal of such Directors by the Shareholders in accordance with the articles of the Company.

We understand from the management of the Group that one of the New Directors will be responsible for identifying suitable mergers and acquisitions targets on behalf of the Group. In view of the growth potential of the automobile after-sales industry in the PRC, the Investor believes that the Group will benefit from its current business network and resources in the PRC. We were advised that the Group is recognised by the Investor as an experienced sector leader in the Greater China Region and it could serve as a good platform to consolidate other automobile after-sales service players. It is the intention of the management of the Company and the Investor to build a global leading player in the automobile after-sales sector together.

Having considered all the relevant factors, the Directors are of the view that the Investment Agreement was entered into on normal commercial terms following arm's length negotiations between the Company and the Investor and the terms of the Investment Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the facts that:

(i) the auditors of the Company have emphasised that the current financial conditions of the Group may cast significant doubt on the Group's going concern and the Group has immediate needs to improve its liquidity position;

(ii) the Company will not have sufficient internal financial resources to service its immediate financial obligations, particularly the RMB Bonds;

(iii) the Company has considered a number of alternative financing methods before it has decided to enter into the Investment Agreement but any other financing methods involving either equity or debt would not be feasible without any clear indication of a significant improvement of the balance sheet position of the Group; and

(iv) the Group is expected to benefit from the track records, business network and market recognition of CDH Investments as shown in this sub-section headed "7.1.5 Information on the Investor and its intention regarding the Group" above,

together with our view that the Investor Subscription Price and the initial Conversion Price are fair and reasonable in the circumstances of the Group and the Transactions, we concur with the Directors that the entering into of the Investment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

7.2 The STIC Amendment Deed, the Placing Agreement and the Management Subscription Agreement

7.2.1 The STIC Amendment Deed

On 5th December, 2011, the Company issued the Existing Convertible Bonds in the aggregate amount of US$38,201,001 expiring in December, 2015 to the STIC Entities. As at the Latest Practicable Date, all of the Existing Convertible Bonds remains outstanding.

As discussed above, given the high gearing ratio of the Group and the going concern opinion of the auditors, it would be infeasible for the Company to obtain debt financing on a stand-alone basis. As such, the Company would have to raise new capital through equity financing in order to improve its liquidity position.

Based on the preliminary assessment of the Company, in the event that the Company would have to raise its required new capital to satisfy the requirement as indicated by holders of the RMB Bonds, it is likely that such equity issue would exceed the general mandate grant by the Shareholders, which would trigger an event of default under which the STIC Entities may request for the redemption of the Existing Convertible Bonds at principal amount plus an internal rate of return of 20%. Assuming such event of default happened on 31st May, 2013, it would translate into an early redemption amount of approximately US$50 million.

In view of the above, as a condition precedent to the completion of the Investment Agreement, the Investor has required that the Existing Convertible Bonds be redeemed and cancelled in full by the Company.

On 25th June, 2013, the Company and the STIC Entities entered into the STIC Amendment Deed pursuant to which, amongst other things, the terms and conditions of the Existing Convertible Bonds shall be amended so that the Company shall have the right to redeem the Existing Convertible Bonds in full upon the completion of the Placing with an aggregate redemption amount of US$40 million (equivalent to approximately HK$311.2 million), representing approximately 104.7% of the aggregate principal amount of the Existing Convertible Bonds.

We have reviewed the STIC Amendment Deed and noted that the Company agreed and undertook to the Investor that, amongst other things, it shall redeem the Existing Convertible Bonds in full upon completion of the Placing and the Management Subscription and use the proceeds from the Management Subscription and the Placing to fund the payment for the Existing Convertible Bonds Redemption and any costs and expenses incurred or to be incurred by the Company in connection therewith.

One of the terms to the Existing Convertible Bonds was that the Company would need to achieve ninety-five per cent of thirty-two per cent average growth rate of basic earnings per share excluding the impacts of the Existing Convertible Bonds per year for the years from 2011 to 2014 and if it is unable to do so, it would be under the obligation upon the maturity of the Existing Convertible Bonds in 2015 to make a fixed cash payment of 64% of the principal amount of the Existing Convertible Bonds. Pursuant to the terms and conditions of the STIC Amendment Deed, the Company will have the right to redeem the Existing Convertible Bonds in full at US$40 million so that it will no longer be subject to the fixed payment nor the 20% internal rate of return payable upon the event of default caused by the Placing, the Management Subscription or the Investor Subscription.

The Company intends to fund the Existing Convertible Bonds Redemption through a combination of (i) the placing of new Shares to Independent Placees pursuant to the Placing Agreement; and (ii) the subscription of new Shares by Mr. Chang or his designated associates (either Ms. Wang Chin-wei, Mr. Chang's spouse, or Full Chance Finance Limited, a company wholly-owned by Ms. Wang Chin-wei) under the Management Subscription Agreement.

Apart from the Placing and the Management Subscription, we were informed by the management of the Group that the Company has considered other financing options for the purposes of, amongst other things, the Existing Convertible Bonds Redemption. Particularly, the Company has considered a right issue. However, for the reasons set out in the sub-section headed "6. Other financing alternatives" above, alongside with other factors including the time constraint associated with the due date of the RMB Bonds, the Company is of the opinion that the Placing and the Management Subscription are better alternatives.

7.2.2 The Placing

In conjunction with entering into the Investment Agreement and the STIC Amendment Deed, the Company shall enter into the Placing Agreement with the Placees and the Management Subscription Agreement with Mr. Chang for the primary purpose of redeeming the Existing Convertible Bonds as the Investor has stated that the net proceeds from the Subscription shall not be used to redeem the Existing Convertible Bonds.

On 25th June, 2013, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to act as the placing agent to procure, on a best-effort basis, not less than six Independent Placees to subscribe for up to 1,060,673,334 Placing Shares at the Placing Price of HK$0.30 per Placing Share on a best-effort basis.

The number of Placing Shares subject to placement under the Placing Agreement shall be subject to the agreement of the Company and the Placing Agent. The Company currently plans to adjust the number of the Placing Shares subject to placement under the Placing according to its funding need for the purpose of the Existing Convertible Bonds Redemption and the total number of new Shares to be issued under the Placing and the Management Subscription will not be more than 1,060,673,334 Shares. Assuming the full completion of the Management Subscription, the Company currently expects that 1,008,806,667 Placing Shares will be placed under the Placing.

The 1,008,806,667 Placing Shares represent (i) approximately 161.6% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 34.2% of the issued share capital of the Company immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

The Placing Price of HK$0.30 per Placing Share is the same as the Investor Subscription Price and the Management Subscription Price, and was determined after arm's length negotiations between the Company and the Placing Agent.

Assuming 1,008,806,667 Placing Shares are placed under the Placing, the net proceeds to be received from the Placing is estimated to be approximately HK$296.6 million. The Company intends to use the proceeds for the Existing Convertible Bonds Redemption pursuant to the terms of the Existing Convertible Bonds as amended by the STIC Amendment Deed.

As stated in the Letter from the Board, the Directors consider that the Placing represents a good opportunity to raise capital for the Company for the Existing Convertible Bonds Redemption while broadening the shareholder base of the Company.

7.2.3 The Management Subscription and the Special Deal (Management Subscription)

On 25th June, 2013 the Company and Mr. Chang entered into the Management Subscription Agreement pursuant to which Mr. Chang agreed to subscribe, or procure his associates (either Ms. Wang Chin-wei, Mr. Chang's spouse, or Full Chance Finance Limited, a company wholly-owned by Ms. Wang Chin-wei) to subscribe, for 51,866,667 new Management Subscription Shares at a Management Subscription Price of HK$0.30.

The 51,866,667 Management Subscription Shares represent (i) approximately 8.3% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.8% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

The Management Subscription Price of HK$0.30 is the same as the Investor Subscription Price and the Placing Price and was determined after arm's length negotiations between the Company and Mr. Chang.

The net proceeds to be received from the Management Subscription are estimated to be approximately HK$15.6 million. The Company intends to use the proceeds primarily for the Existing Convertible Bonds Redemption.

The Directors consider that the Management Subscription by Mr. Chang represents a good opportunity to raise capital for the Existing Convertible Bonds Redemption, as well as to demonstrate to the Investor the commitment of the key management of the Group.

The Management Subscription constitutes a special deal of the Company pursuant to Rule 25 of the Takeovers Code. Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Management Subscription and Special Deal (Management Subscription).

Upon completion of the Investment Agreement, it is envisaged that the Investor, which is a financial investor, will not be heavily involved in the day-to-day operation of the Company but will rely on a team of seasoned senior management led by Mr. Chang on operational aspects of the Group's business. As such, the Management Subscription is an integral part of the Investor's proposed investment in the Company and without the Management Subscription Agreement and the proposed arrangements thereunder in place, it would be unlikely for the Investor to proceed with its investment in the Company. It is therefore important that Mr. Chang remains financially involved in the business of the Group upon completion of the Investment Agreement. In this connection, the Investor has requested Mr. Chang to show his commitment by entering into the Management Subscription Agreement as a conditions precedent to the Investment Agreement.

According to the 2012 annual report of the Company, Mr. Chang, an executive Director and the chief executive officer of the Company, has joined the Company since February 2012. He is a veteran public company chief executive officer under the jurisdictions of NASDAQ and London Stock Exchanges. Before joining the Company, Mr. Chang co-founded Luckypai Limited in 2006 and grew it to a leading TV shopping company in China with US$150 million sales in less than 5 years. The Investor believes that Mr. Chang's role is instrumental to the Company's future business development so as to maintain management continuity and stability of the Company. Therefore, as a condition to its investment, the Investor has requested for the Management Subscription under which Mr. Chang will invest additional capital into the Company to demonstrate his firm commitment.

We consider that the risks as well as the rewards associated with an equity shareholding apply to the Management Subscription because as with the other Shareholders, Mr. Chang is exposed to risks relating to increases and decreases in the Share price after completion of the Management Subscription and he may benefit or suffer losses from such price movements. In fact, unlike the other Shareholders, Mr. Chang is additionally required to provide the Management Lock-up Undertaking pursuant to the Investment Agreement whereby he is not allowed to dispose of his shareholding for a period of three-years (except for early release in circumstances disclosed in the Letter from the Board) from the Issue Date irrespective of the movements in the price or trading conditions of the Shares during this period. In this respect, we consider that note 3 to Rule 25 of the Takeovers Code is complied with.

Having regard to the circumstances leading to the Management Subscription and the above reasons, we are of the view that the terms of Management Subscription Agreement, including the Management Subscription Price which is the same as the Investor Subscription Price, and the Special Deal (Management Subscription) are fair and reasonable and that the entering into of the Management subscription Agreement and the transactions contemplated thereunder is in the interest of the Company and the Shareholders as a whole.

7.3 Management Incentive Scheme and the Special Deal (Management Incentive Scheme)

The Company proposes to adopt the Management Incentive Scheme with a view to incentivising certain senior management of the Group in the ongoing development of the Group, pursuant to which the Management Options may be granted to certain senior management of the Company, including Mr. Chang and Ms. Hung, for up to an aggregate of 508,297,292 Shares, representing (i) approximately 81.4% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 17.2% of the issued share capital of the Company upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options); and (iii) approximately 10.0% of the enlarged issued share capital of the Company after completion of the Investment Agreement, the Placing, the Management Subscription, the Investor Subscription and the full conversion of the Convertible Bonds and the full exercise of the Management Options.

The material terms of the Management Incentive Scheme are disclosed in the Letter from the Board.

Upon full exercise of the Management Options, the Company would receive approximately HK$175.4 million from the proposed Grantees of the Management Options, which will be used for general working capital purposes.

The Management Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The grant of the Management Options is subject to approval by the Stock Exchange pursuant to Rule 15.02 of the Listing Rules. As stated in the Letter from the Board, the adoption of the Management Incentive Scheme and the grant of the Management Options are condition upon, and will happen after, the completion of the Investment Agreement, the Placing and the Management Subscription.

Subsequent to completion of the Investment Agreement, the Investor, which is a financial investor, and the Company would rely heavily on the senior management to operate the business of the Group. In addition to nominating suitable candidates to serve as Directors and to designate an individual who will be appointed as the chief financial officer of the Company subject to and upon Closing, the adoption of the Management Incentive Scheme and the grant of the Management Options would allow the Investor to ensure that the Company is able to attract and retain talented individuals to be appointed as part of the Company's management team post-Closing.

The proposed adoption of the Management Incentive Scheme and the grant of the Management Options to Mr. Chang and Ms. Hung thereunder also constitute a special deal under Rule 25 of the Takeovers Code and will be subject to the consent of the SFC Executive, our opinion as to whether the terms of the Management Incentive Scheme and the grant of the Management Options are fair and reasonable and the approval of the Independent Shareholders by way of poll at the EGM.

Mr. Chang and Ms. Hung, being two of the proposed Grantees of the Management Options, and Mr. Hung, being a brother of Ms. Hung, shall (together with their respective associates) abstain from voting at the EGM on the resolution in respect of the Management Incentive Scheme, the grant of the Management Options and the Special Deal (Management Incentive Scheme).

7.3.1 Information on the Grantees

As disclosed in the Letter from the Board, the proposed Grantees of the Management Options under the Management Incentive Scheme comprise Mr. Chang and the Other Management Grantees including Ms. Hung who are certain members of the senior management of the Group. Of the 508,297,292 Management Options, it is proposed that (i) Management Options in respect of 152,489,188 Shares be granted to Mr. Chang, representing approximately 30.0% of all the Management Options and approximately 3.0% of the enlarged share capital of the Company upon completion of the Management Subscription, the Placing, the Investor Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price and exercise of the Management Options and (ii) Management Options in respect of up to 355,808,104 Shares be granted to the Other Management Grantees (of which Management Options for 50,829,729 Shares will be granted to Ms. Hung), representing approximately 70.0% of all the Management

Option and approximately 7.0% of the enlarged share capital of the Company upon completion of the Management Subscription, the Placing, the Investor Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price and exercise of the Management Options.

One of the Other Management Grantees is Ms. Hung, an executive Director, vice president and the chief financial controller of the Company who, as at the Latest Practicable Date, is the beneficial owner of 383,145 Shares, representing approximately 0.06% of the issued share capital of the Company. Apart from Mr. Chang and Ms. Hung, (i) no other Grantee holds or beneficially owns any Shares as at the Latest Practicable Date; (ii) no other current or future members of the Board (up to and including such time when the Board considers and approves the Management Performance Targets) will be a Grantee of the Management Options; and (iii) no other Grantee will be a connected person of the Company at the time of the grant.

We have discussed with the management of the Group and reviewed the list of Grantees who are currently proposed to be granted Management Options. As disclosed in the Letter from the Board, the proposed Grantees of the Management Options under the Management Incentive Scheme comprise Mr. Chang and Other Management Grantees (including Ms. Hung). The Other Management Grantees are existing or future senior management of the Group to be selected by the Board based on past performance and past and potential contribution to the Group who are serving a professional or managerial grade or function or above in the Group. We consider that it is appropriate for the Company to grant the Management Options to the Grantees on the basis of the selection criteria set out above. We are also of the view that the Management Incentive Scheme provides a mechanism whereby Mr. Chang and the Other Management Grantees including Ms. Hung will be awarded for their contributions to the Group and incentivised in line with the future performance of the Group.

The Company has confirmed that other than the Management Options, Mr. Chang is not entitled to any incentives save for the annual discretionary bonus to be determined by the Remuneration Committee and the Board if annual budgets can be met. In addition, in view of Mr. Chang's experience and expertise, his past contributions to the Group as well as his important role in spearheading the reformation and continued growth of the Group, we consider that it is reasonable to grant 30% of the Management Options, any economic benefits arising thereafter is eventually linked to the future performance of the Group as explained further below, to Mr. Chang.

7.3.2 Grant and vesting of the Management Options

As disclosed in the Letter from the Board, all Management Options are to be granted in two batches. The First Batch Management Options, which comprise Management Options in respect of not more than 254,148,646 Shares (representing 50% of the Management Options that may be granted under the Management Incentive Scheme) will be granted on the Closing Date to:

(i) Mr. Chang for 76,244,594 Shares, representing 50% of Mr. Chang's entitlement to Management Options for 152,489,188 Shares under the Management Incentive Scheme;

(ii) Ms. Hung for 25,414,864 Shares, representing approximately 50% of Ms. Hung's entitlement to Management Options for 50,829,729 Shares under the Management Incentive Scheme; and

(iii) other existing senior management of the Company for up to 152,489,188 Shares, representing approximately 50% of the Management Options for up to 304,978,375 Shares that may be granted to Other Management Grantees (except Ms. Hung) under the Management Incentive Scheme.

The Second Batch Management Options, which comprise the remaining Management Options not granted on the Closing Date and not forming part of the First Batch Management Options, will be granted 12 months after the Closing Date to:

(i) Mr. Chang for the remaining Management Options for 76,244,594 Shares that have not been granted to him;

(ii) Ms. Hung for the remaining Management Options for 25,414,865 Shares that have not been granted to her; and

(iii) other senior management of the Company at the date of grant of the Second Batch Management Options for the remaining Management Options that have not been granted under the Management Incentive Scheme.

The proposed grant of the Management Options (including both First Batch Management Options and Second Batch Management Options) to Mr. Chang and Ms. Hung have been approved by the Remuneration Committee and the Board, subject to the approval of the Independent Shareholders at the EGM. The proposed grant of the Management Options (including both First Batch Management Options and Second Batch Management Options) to Other Management Grantees (except Ms. Hung) will be subject to the approval by the Remuneration Committee and the Board shortly before the time of the grant, i.e. the Closing Date or 12 months after the Closing Date.

Regarding the vesting of all Management Options,

(i) one-third would be vested upon the later of (a) 6 months after the date of grant; or (b) the day on which the Company releases its audited consolidated financial statements for the year ending 31st December, 2013;

(ii) one-third would be vested upon the later of (a) 18 months after the date of grant; or (b) the day on which the Company releases its audited consolidated financial statements for the year ending 31st December, 2014; and

(iii) the remaining one-third would be vested upon the later of (a) 30 months after the date of grant; or (b) the day on which the Company releases its audited consolidated financial statements for the year ending 31st December, 2015,

provided that the vesting of the Management Options granted to the Other Management Grantees shall be subject to Board approval pursuant to the terms of the Management Incentive Scheme and satisfaction of performance targets as may be determined by the Board from time to time on the basis of key performance indicators relevant to the role and responsibilities of the individual Grantees, such as financial performance and operational performance of the Group or the relevant subsidiary or geographical region (the "Management Performance Targets").

The vesting period of the Management Options to be granted to Mr. Chang is in line with that of the Management Options to be granted to the Other Management Grantees. All Management Options will be vested in three stages over 2.5 years after the date of grant as described above to make sure that the Grantees are encouraged to contribute to the success of the Company over a period of time in the future. The date of vesting of the Management Options is also linked to the date of publication of the Group's financial statements for 2013 to 2015 to facilitate the determination of whether the relevant Management Performance Targets have been fulfilled.

7.3.3 The Management Performance Targets

It is intended that different Other Management Grantees will have different Management Performance Targets. Vesting of the Management Options granted to Mr. Chang is not subject to any Management Performance Targets.

The Management Incentive Scheme, including the grant and vesting of the Management Options, was proposed at the request of the Investor which considers Mr. Chang as a seasoned and successful executive and it is therefore important to incentivise Mr. Chang and to align Mr. Chang's interest with those of the Shareholders. Given Mr. Chang's proposed participation in determining the Management Performance Targets based on his understanding of the overall performance and business strategies of the Group in his role as the chief executive officer of the Group, the Management Performance Targets should only be applicable to the Other Management Grantees. In this regard, we understand that taking into account the key role of Mr. Chang in formulating and implementing the overall future strategic plans of the Group, the Investor considers that Mr. Chang's performance should not be assessed by specific short-term Management Performance Targets in each respective financial year, but rather linked to the overall financial performance of the Group over a longer time horizon covering the vesting periods of the Management Options as well as the effectiveness of the strategic plans implemented by the Group under Mr. Chang's leadership. Such performance will in turn be reflected in the market value of the Shares and the Investor has requested the Company, in addition to requiring Mr. Chang to demonstrate his commitment towards the future success of the Group through the Management Subscription and the Management Lock-up Undertaking, to incorporate such terms as the exercise prices of the First Batch Management Options and the Second Batch Management Options and the vesting periods of the Management Options into the Management Incentive Scheme to ensure that the objective is achieved.

Further, we were advised that the Investor is of the view that in contrast to Mr. Chang, performance of the Other Management Grantees may not be directly correlated to the market value of the Shares since most of their responsibilities are reflected at regional or functional levels. Therefore, the Other Management Grantees should be subject to more specific Management Performance Targets as their contributions over the vesting periods will more likely be correlated to and measured by, amongst other things, operational indicators relating to, for instance, progress of regional business development in terms of number of new stores opened and profitability of individual stores within the regions and operational performance and efficiencies of information technology systems implemented.

We therefore agree that the Other Management Grantees should be subject to the Management Performance Targets while Mr. Chang's performance should be assessed in light of the overall performance of the Group during the vesting periods of the Management Options, which will in turn be reflected in the Share price in the long run. In this connection, as with the Management Subscription, we consider that the risks as well as the rewards associated with an equity shareholding apply to the grant of the Management Options to Mr. Chang and note 3 to Rule 25 of the Takeovers Code is complied with.

As for Ms. Hung who will continue to serve the Group as the chief operational officer of the Group's wholesale business upon Completion, we understand that she will be subject to satisfaction of certain Management Performance Targets in respect of the financial and operational performance of the Group's wholesale business in 2013, 2014 and 2015. The actual Management Performance Targets for Ms. Hung will be determined and approved by the Remuneration Committee and the Board shortly before the date of grant. In addition, the Management Options for 50,829,729 Shares to be granted to Ms. Hung only represent approximately 1.0% of the enlarged share capital of the Company upon completion of the Management Subscription, the Placing, the Investor Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price and exercise of the Management Options. In view of the foregoing and taking into consideration Ms. Hung's experience, role and duties as well as her past and potential contributions to the Group, we consider that it is fair and reasonable to grant Management Options for an aggregate of 50,829,729 Shares to Ms. Hung.

We understand that the details of the Management Performance Targets will be determined by the then members of the senior management including Mr. Chang in his capacity as the chief executive officer of the Company with reference to the criteria set out above and in accordance with the approval procedures described below. However, Mr. Chang has and will abstain from all voting on resolutions relating to the proposed Management Incentive Scheme and the proposed grant of the Management Options including resolutions approving the Management Performance Targets.

We note that the terms of the Management Incentive Scheme and the Management Options to be granted thereunder including the vesting periods of the Management Options were negotiated between the Company and the Investor on an arm's length basis as a means to provide incentives to the senior management in their continuing service and contribution to the Group after the completion of the Investment Agreement. The terms of the Management Incentive Scheme and the Management Options including the vesting periods and the Management Performance Targets will be proposed for the approval by the Remuneration Committee and the final approval of the Board after Shareholders' approval of the Management Incentive Scheme and, in respect of the Management Performance Targets, before the grant of the Management Options to individual Grantees. On this basis, we consider that it is fair and reasonable for the Board members (including Mr. Chang) to determine the Management Performance Targets.

7.3.4 Exercise price

The exercise price in respect of each of the First Batch Management Options and the Second Batch Management Options is HK$0.3 per Share and HK$0.39 per Share respectively. We were advised by the management of the Group that two exercise prices were arrived at after arm's length negotiations between the Company and the Investor with reference to the Investor Subscription Price, the Management Subscription Price and the Placing Price, and further taking into account other factors including: (i) vesting period of the Management Options; and (ii) the Management Performance Targets to be imposed by the Board (members of which will mainly comprise the New Directors to be appointed by the Investor upon the Closing) for the vesting of the Management Options.

The exercise price of HK$0.3 per Share of the First Batch Management Options is the same as the Investor Subscription Price, the Placing Price and the Management Subscription Price. This indicates that the Grantees of the First Batch Management Options will be treated on an equal basis as the parties to the Investment Agreement, the Placing Agreement and the Management Subscription. According to the management of the Group, the exercise price of the Second Batch Management Options is determined at HK$0.39 per Share to ensure the Grantees are encouraged to contribute to the continued growth of the Company in the foreseeable future such that the Management Performance Targets are met and they will be financially rewarded upon exercise of the Management Options.

We understand from the management of the Group that the proposed arrangements under the Management Incentive Scheme are intended to ensure that the risks and incentive of the Company's management are aligned with those of the Investor as well as the other Shareholders. In addition, the Group is in the midst of a turnaround situation and given its current financial condition, it is important that the management is incentivised and employee turnover is minimised whilst not simultaneously imposing a significant cash burden on the Group. We concur with the Directors believe that, as a talent retention measure, the Management Options will provide the senior management with the opportunity of participating in the growth of the Group so as to align with the interest of the senior management with those of the Company and the Shareholders.

In view of the above, we consider the terms of the Management Incentive Scheme, the grant of the Management Options and the Special Deal (Management Incentive Scheme) to be fair and reasonable.

8. Effects of the Transactions on the shareholdings of the Shareholders

The shareholdings in the Company as at the Latest Practicable Date and immediately after completion of the transactions contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement, alongside with the exercise of the Management Options, are summarised as follows:

Shareholders	As at the Latest Practicable Date		Upon completion of the Management Subscription, the Placing, the Investor Subscription but before the conversion of the Convertible Bonds and exercise of the Management Options		Upon completion of the Management Subscription, the Placing, the Investor Subscription, the conversion of the Convertible Bonds (assuming full conversion at the initial Conversion Price of HK$0.2328) but before exercise of the Management Options		Upon completion of the Management Subscription, the Placing, the Investor Subscription, the conversion of the Convertible Bonds (assuming full conversion at the initial Conversion Price of HK$0.2328) and exercise of the Management Options (assuming exercised in full)	
	No. of Shares	*% (approx.)*	*No. of Shares*	*% (approx.)*	*No. of Shares*	*% (approx.)*	*No. of Shares*	*% (approx.)*
Mr. Hung	169,506,120	27.1%	169,506,120	5.8%	169,506,120	3.7%	169,506,120	3.3%
Mr. Chang and his spouse	7,900,000	1.3%	59,766,667	2.0%	59,766,667	1.3%	212,255,855	4.2%
Ms. Hung	383,145	0.1%	383,145	0.0%	383,145	0.0%	51,212,874	1.0%
Other Grantees of the Management Options	–	–	–	–	–	–	304,978,375	6.0%
Other senior management	102,408,283	16.4%	102,408,283	3.5%	102,408,283	2.2%	102,408,283	2.0%
The Investor	–	–	1,262,564,333	42.8%	2,889,580,226	63.2%	2,889,580,226	56.8%
Independent Placees in the Placing	–	–	1,008,806,667	34.2%	1,008,806,667	22.1%	1,008,806,667	19.8%
Directors who will resign on the Closing Date	79,178,155	12.7%	79,178,155	2.7%	79,178,155	1.7%	79,178,155	1.6%
Public in Taiwan held under Taiwan Depository Receipts	89,850,000	14.4%	89,850,000	3.0%	89,850,000	2.0%	89,850,000	1.8%
Other public Shareholders in Hong Kong	175,196,363	28.1%	175,196,363	5.9%	175,196,363	3.8%	175,196,363	3.4%
Total	**624,422,066**	**100%**	**2,947,659,733**	**100%**	**4,574,675,626**	**100%**	**5,082,972,918**	**100%**
Total public shareholding	265,046,363	42.4%	1,353,031,185	45.9%	1,353,031,185	29.6%	1,353,031,185	26.6%
Independent Shareholders not involved and interested in any of the Transactions *(Note)*	446,632,801	71.5%	446,632,801	15.2%	446,632,801	9.8%	446,632,801	8.8%

Note: Independent Shareholders not involved and interested in any of the Transactions comprise the Shareholders other than Mr. Hung, Mr. Chang and Ms. Hung.

As illustrated above, the shareholding of the Independent Shareholders not involved and interested in any of the Transactions in the issued Share capital of the Company will be diluted from approximately 71.5% as at the Latest Practicable Date to approximately 8.8% upon completion of the Transactions. Further, the public float of the Company will decrease from approximately 42.4% as at the Latest Practicable Date to approximately 26.6% upon completion of the Transactions.

It should be noted that under the terms and conditions of the Convertible Bonds, the Bondholders shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to an extent that would result in the Company in breach of the public float requirement under Rule 8.08(1)(a) of the Listing Rules immediately after such conversion.

Taking into account (i) the existing financial difficulties facing the Group as evident in its net current liabilities of RMB90.4 million as at 31st December, 2012 and a significant loss of RMB357.9 million for the year ended 31st December, 2012; (ii) the inability of the Company to raise sufficient new capital through alternative fund raising methods as explained in further detail in the sub-section headed "6. Other financing alternatives" above; (iii) the reasons for and benefits of the Transactions; and (iv) the terms of the transactions contemplated under the Investment Agreement, the Management Subscription and the Management Incentive Scheme, which are part and parcel of the proposed Transactions, being fair and reasonable, we consider the aforementioned levels of dilution to the shareholding interests as a result of the Transactions to be acceptable.

9. Financial impact of the Transactions

9.1 Net asset value

Upon completion of the transactions contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement but before the exercise of any Management Options, it is expected that the net asset value attributable to owners of the Company will be increased as the Placing, the Management Subscription, the Investor Subscription and subscription and conversion of the Convertible Bonds will increase the total asset of the Company and the Existing Convertible Bonds Redemption will decrease the total liabilities of the Company. Accordingly, the completion of the transactions contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement will have a positive impact on the net asset value attributable to the owners of the Company.

However, as the Investor Subscription Price of HK$0.30 and the initial Conversion Price of HK$0.2328 are at approximately 47.8% and 59.5% discount, respectively, to the consolidated net asset per Share (excluding minority interest) as at 31st December, 2012 of approximately HK$0.575, there will be a dilution effect on the net asset value per Share upon completion of the transactions contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement. We consider that the lower consolidated net asset per Share, if viewed together with the potential financial benefits of the transactions contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement to the Group as a whole, is acceptable particularly with reference to our view and analysis on the dilution to the shareholdings of the Shareholders as a result of the Transactions set out in the sub-section headed "8. Effects of the Transactions on the shareholdings of the Shareholders" above.

9.2 Gearing ratio

As at 31st December, 2012, the gearing ratio of the Group as represented by total debt to equity attributable to owners of the Company was approximately 208%. Upon completion of the transactions contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement but before the exercise of any Management Options, since the total liabilities will decrease due to the fact that the net proceeds from the Placing and the Management Subscription will be used for the purpose of the Existing Convertible Bonds Redemption and the shareholders' equity excluding the minority interest will increase as a result of the Investor Subscription and subscription and conversion of Convertible Bonds, the gearing ratio of the Group is expected to improve.

9.3 Working Capital

As at 31st December, 2012, the Group had net current liabilities of approximately RMB90.4 million. Upon completion of the transactions contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement but before the exercise of any Management Options, the Group's cash level will increase as a result of the Investor Subscription and subscription of Convertible Bonds. The net proceeds from the Placing and the Management Subscription will be used for the Existing Convertible Bonds Redemption which will in turn reduce the non-current liabilities. Assuming the level of current liabilities will remain unchanged, it is expected that the working capital of the Group will improve which will result in a net current assets position.

It should be noted that the above-mentioned analyses are for illustrative purpose only and do not purport to represent how the financial positions of the Group will be upon the completion of the transactions as contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement.

10. The Whitewash Waiver

10.1 Background

As illustrated in the sub-section headed "8. Effects of the Transactions on the shareholdings of the Shareholders", upon completion of the Investor Subscription, the Placing and the Management Subscription, the Investor and persons acting in concert with it will be interested in 1,262,564,333 Shares, representing approximately 42.8% of the enlarged issued share capital of the Company. Furthermore, upon the full conversion of the Convertible Bonds, shareholding of the Investor and persons acting in concert with it will be increased to 2,889,580,226 Shares, representing approximately 63.2% of the enlarged issued share capital of Company assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds and before the exercise of the Management Options. Therefore, under the Takeovers Code, the Investor would be obliged to make a general offer for all the securities of the Company not already owned by the Investor, its ultimate beneficial owners and their respective parties acting in concert, unless a whitewash waiver from strict compliance with Rule 26 of the Takeovers Code has been granted by the SFC Executive.

10.2 The Whitewash Waiver as a condition of the Investment Agreement

Shareholders should note that Investment Agreement is conditional on, amongst other things, (i) the passing of the resolution by the Independent Shareholders at the EGM approving the Whitewash Waiver, and (ii) the SFC Executive granting to the Investor the Whitewash Waiver. The approval of the Whitewash Waiver by the Independent Shareholders will therefore be necessary for the Investment Agreement to proceed to Completion and for the Group and the Shareholders to enjoy the benefits brought by transactions contemplated under the Investment Agreement.

Shareholders should note that if the Whitewash Waiver is not granted by the SFC Executive or is not approved by the Independent Shareholders, the Investment Agreement will not become unconditional and the Investment Agreement will be terminated.

10.3 Mr. Hung, Mr. Chang and Ms. Hung to abstain from voting

As (i) Mr. Chang is involved in the negotiations of the Investment Agreement and interested in the Special Deals which are conditional upon the completion of the Investment Agreement; (ii) Ms. Hung is interested in the Special Deal (Management Incentive Scheme) which is conditional upon the completion of the Investment Agreement; and (iii) Mr. Hung is a brother of Ms. Hung, Mr. Chang, Ms. Hung and Mr. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Investment Agreement and the Whitewash Waiver. Apart from Mr. Chang, Ms. Hung and Mr. Hung, no other Shareholders are interested in or involved in the negotiations of the Transactions.

As the approval of the Whitewash Waiver by the Independent Shareholders is a condition precedent to the completion of the Investment Agreement which upon Closing is expected to bring significant financial benefits to the Group and enable it to raise substantial new capital to improve its financial condition and implement its business plans, we consider that it is reasonable that the completion of the Investment Agreement will result in the Investor acquiring a controlling stake in the Company. On this basis and with regard to our analyses and recommendation on the terms of the Investment Agreement, the Placing, the Management Subscription and the Management Incentive Scheme set out in this letter, we are of the view that the Whitewash Waiver is fair and reasonable.

IV. RECOMMENDATION

In reaching our opinion, we have considered the facts and circumstances leading to the Transactions, the terms of the Investment Agreement, the Placing, the Management Subscription and the Management Incentive Scheme, the reputation and track records of the Investor and the strategic value it will bring to the Group as a whole on the basis of the principal factors and reasons set out in this letter.

The Group was in a net current liabilities position as at 31st December, 2012 and it incurred a substantial loss for the year ended 31st December, 2012 due to impairment losses associated with a number of the Group's acquisitions in recent years. In addition, the Group has significant immediate financial obligations under the terms of the RMB Bonds and may incur additional liability towards the STIC Entities in the event that there is no investment from the Investor. In order to improve its financial condition of the Group and raise sufficient capital for the continued business development of the Group, the Company has considered raising new capital through alternative equity and debt financing methods. However, based on the Company's preliminary enquiries made with banks, creditors and securities firms, in the absence of any clear indication of a significant improvement of the balance sheet position of the Group, it would be unlikely to secure creditors' or potential investors' interest to procure sufficient debt or equity financing to improve the financial position.

Against this background, the Company and the Investor have entered into the Investment Agreement which will allow the Group to continue as a going concern upon Completion. The Placing and the Management Subscription, which are conditional upon completion of the Investment Agreement, will assist the Group to redeem the Existing Convertible Bonds pursuant to the STIC Amendment Deed on terms which are better than those of the Existing Convertible Bonds.

In the meantime, both the management of the Group and the Investor are optimistic of the outlook of the automobile after-sales industry in the PRC and therefore the business prospects of the Group. It is believed that the net proceeds from the Investment Agreement will enable to Group to improve its financial condition and implement its business plans, upgrade its business and information technology systems and expand the Group's auto chain services network by either acquisition or opening new stores. The Management Subscription and the Management Incentive Scheme will in turn ensure that the Group will be operated under a committed and stable management led by Mr. Chang who will remain financially involved in the business of the Group upon completion of the Investment Agreement.

On the totality of the principal factors and reasons set out in this letter, we are of the view that the Investment Agreement, the Management Subscription Agreement, the proposed Management Incentive Scheme and the grant of the Management Options, the Specific Mandates, the Whitewash Waiver and the Special Deals are not entered into in the ordinary course of business but are on normal commercial terms and in the interests of the Company and its Shareholders as a whole. We therefore advise the Independent Board Committee and the Whitewash IBC to recommend that the Independent Shareholders vote in favour of the respective resolutions to be proposed at the EGM to approve these transactions.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited

Michael Fok	**Keith Ng**
Director	*Director*

NEW DIRECTORS

1. Executive Director

ZHANG Jianxing (張健行), aged 46, has been employed by CDH Investments Management (Hong Kong) Limited ("CDH") since 2011, and his current position is operating manager director. Prior to joining CDH, from 2009 to 2011, Mr. Zhang served as an operations director at China Resources Asset Management. From 2006 to 2009, he worked as a vice president at China Worldbest Group Co., Ltd.

Mr. Zhang received a bachelor of science degree in civil engineering from 同濟大學 (Tongji University).

2. Non-executive Directors

WANG Zhenyu (王振宇), aged 49, has been employed by CDH since 2008, and his current position is managing director. He is also currently a non-executive director of Xiezhong International Holdings Limited (Stock Code: 3663). From 2002, he served as a vice President and managing Director with various affiliates of CDH. Prior to joining CDH, from 2000 to 2002, he served as an associate in the investment consultancy department of China International Capital Corporation Limited.

Mr. Wang graduated from 合肥工業大學 (Hefei University of Technology) with a bachelor's degree in machinery engineering in August 1985 and a master's degree in industrial management engineering in July 1988.

YING Wei (應偉), aged 47, holds a master degree of business administration from the University of San Francisco and a bachelor degree of economics from 浙江工商大學 (the Zhejiang Gongshang University) (formerly known as 杭州商學院 (Hangzhou Institute of Commerce)) and is a non-practicing member of 中國註冊會計師協會 (the China Institute of Certified Public Accountants). Mr. Ying had worked for 華潤紡織(集團)有限公司 (China Resources Textiles (Holdings) Company Limited) as executive director and vice president for 18 years during the period from 1989 to 2007. Mr. Ying had also worked for China Water Affairs Group Limited (Stock Code: 855) as vice president during the period from 2007 to 2009, and worked for China Botanic Development Holdings Limited (now re-named as China Water Property Group Limited) (Stock Code: 2349) as an executive director and president during the period from 21 July 2008 to 30 July 2009. Currently, Mr. Ying is the operating partner of CDH Investments, an independent non-executive director of Fong's Industries Company Limited (Stock Code: 641) and China Public Procurement Limited (Stock Code: 1094).

DU Jinglei (杜敬磊), aged 35, has been employed by 鼎輝股權投資管理(天津)有限公司 (Ding Hui Investment Management (Tianjin) Company Limited) since August 2006, and his current position is executive director who is in charge of deal sourcing and executions. Prior to joining CDH, from August 2002 to August 2006, Mr. Du worked as an assistant manager in KPMG China and was responsible for certain IPO audit and other audit assurance engagements.

Mr. Du graduated with a bachelor's degree in mechanical engineering and a master's degree in measurement technology and instrumentation from 清華大學 (Tsinghua University) in July 2000 and July 2002, respectively.

3. Independent Non-executive Directors

HU Yuming (胡玉明), aged 47, has been a professor at 暨南大學管理學院 (the School of Management of Jinan University) from 2000 to present and held various teaching positions in 廈門大學 (Xiamen University) from 1989 to 2000. He had worked for 華潤錦化股份有限公司 (China Resources Jinhua Co., Ltd) (The Shenzhen Stock Exchange ("SZSE") Stock Code: 000810) as an independent director during the period from 2004 to 2010. Mr. Hu had also worked for 廣州珠江啤酒股份有限公司 (Guangzhou Zhujiang Brewery Co., Ltd) (SZSE Stock Code: 002461) as an independent director during the period from 2009 to 2012. Currently, Mr. Hu is an independent director of 廣東宏大爆破工程有限公司 (Guangdong HongDa Blasting Co.,Ltd.) (SZSE Stock Code: 002683), 廣州卡奴迪路服飾股份有限公司 (Guangzhou Canudilo Fashion and Accessories Co., Ltd.) (SZSE Stock Code: 002656) and 湯臣倍健股份有限公司 (By-health Co., Ltd.) (SZSE Stock Code: 300146). Mr. Hu received a bachelor of science degree, a master of science degree and doctoral degree in economics from 廈門大學 (Xiamen University) in 1986, 1989 and 1995, respectively.

LIN Lei (林雷), aged 46, is the founder, co-president and joint chief executive officer of 新華信國際信息諮詢(北京)有限公司 (Sinotrust International Information & Consulting (Beijing) Co., Ltd.) ("Sinotrust"). Prior to founding Sinotrust in 1992, from 1990 to 1992, Mr. Lin worked at 對外經濟貿易部 (the Ministry of Foreign Economic Relation and Trade). Mr. Lin is currently a member of the European Society for Opinion and Marketing Research (ESOMAR), the American Marketing Association (AMA) and 中國汽車工業協會 (China Association of Automobile Manufacturers (CAAM)). Mr. Lin is also an executive director of 中國信息協會市場研究業分會 (China Marketing Research Association (CMRA)), vice president of 中國市場信息調查業協會 (China Association of Market Information and Research (CAMIR)), director of 中國汽車工程學會 (Society of Automotive Engineers of China (SAE)), executive director of 中國汽車流通協會 (China Automobile Dealers Association (CADA)), commissioner of the expert committee of CADA, member of the Auto Market Branch of CADA, consultant of 北京汽車行業協會 (Beijing Association of Automobile Manufacturers (BAAM)), senior consultant of 北京汽車經濟研究會 (Beijing Automotive Economic Research Association (BAERA)) and expert of 搜狐汽車營銷峰會 (Sohu Automotive Marketing Summit), member of 搜狐"中國汽車50人論壇" (Sohu 50 Elites China Automobile Forum), and consultant of 21世紀汽車研究院顧問 (21st Century Automotive Research Institute).

Mr. Lin received a bachelor's degree in economic data application from 中國人民大學 (the Renmin University of China) in 1990.

Zhang Jie (張杰), aged 52, received a bachelor's degree in chemical fibre macromolecule from 東華大學 (Donghua University) in 1983 and an executive master of business administration degree from 北大國際 (Beijing International) at 北京大學 (Peking University) in 2000. Currently, Mr. Zhang is the chairman and secretary of 中國恒天集團有限公司 (China Hi-Tech Group Corporation), a guest professor at 吉林大學 (Jilin University) and a council member of 中國海峽兩岸關係協會 (Association for Relations Across the Taiwan Straits). Prior to such appointments, he worked at 國家紡織工業部化纖司 (Synthetic Fibre Department of the Textile Industry Ministry) and served as head of 中國紡織總會化纖產品開發中心 (Synthetic Fibre Development Centre of China Textile Association), general manager of 華紡房地產開發公司 (Huafang Real Estate Development Company), general manager and chairman of 中國紡織機械(集團)有限公司 (China Textile Machinery (Group) Co., Ltd.) and president of 中國華源集團有限公司 (China Worldbest Group Co., Ltd.).

RE-DESIGNATED DIRECTOR

HUNG Wei-Pi, John (洪偉弼), aged 52, is one of the founders of the Group and the chairman of the Company. He is primarily responsible for the management of the board of Directors and formulation of the future development strategies and planning of the Group. Mr. Hung has been the chairman since February 2005. He graduated from Chung Yuan Christian University (台灣中原大學) with a bachelor's degree in commerce in 1982. Prior to the establishment of Shanghai New Focus Auto Parts Co., Ltd. ("NFA Parts"), Mr. Hung was the founder and general manager of New Focus Line Limited. In March 1994, Mr. Hung established NFA Parts. He assumed the positions of both the director and general manager and actively participated in NFA Parts' daily operations. In 2001, Mr. Hung established Shanghai New Focus Auto Repair Services Co., Ltd. ("NFA Service"). Mr. Hung is the brother of Ms. Hung Ying-Lien.

SERVICE CONTRACT AND DIRECTORS' FEE

The New Directors will receive the following fees:

(a) executive Director (Mr. Zhang Jianxing): RMB1,200,000 per annum

(b) non-executive Director: nil

(c) independent non-executive Director: HK$100,000 per annum

The New Directors will also be entitled to any discretionary bonus which the Company may decide to pay. Such fees are determined by the Remuneration Committee and the Board by reference to the directors' background, experience, duties and responsibility with the Company and the prevailing market conditions.

Each of the New Directors will enter into written service contract with the Company in relation to the his employment for a term of three (3) years commencing from the Closing Date, subject to retirement by rotation and re-election at the annual general meeting.

GENERAL

Save as disclosed above and in the section headed "3. Disclosure of Directors' Interests" in Appendix III to this circular, each of the above proposed Directors:

(i) has not held any other directorships in any public companies the securities of which are listed in Hong Kong or overseas in the last three years;

(ii) does not hold other positions in the Company or any of its subsidiaries;

(iii) does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company; and

(iv) does not have any interest in the listed securities of the Company within the meaning of Part XV of the SFO,

and there is no information relating to the above proposed Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders in relation to their appointment.

1. SUMMARY OF THE FINANCIAL INFORMATION

The following is a summary of the consolidated results and financial information of the Group for the three years ended 31 December 2010, 2011 and 2012, being the last three years for which the information has been published, details of which were extracted from the annual report of the Company for each of the years ended 31 December 2011 and 2012:

	For the year ended 31 December		
	2012	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Turnover	1,397,885	1,493,140	1,076,842
Cost of sales	(1,003,715)	(1,086,669)	(772,611)
Gross profit	394,170	406,471	304,231
Other revenues and gains	16,446	18,557	20,544
Operating expenses	(464,253)	(319,477)	(257,459)
Impairment loss *(Note 2)*	(292,102)	(155)	–
Finance costs	(28,138)	(19,630)	(5,495)
(Loss)/profit before income tax expense	(373,877)	85,766	61,821
Income tax expense	16,017	(25,251)	(14,183)
(Loss)/profit for the year	(357,860)	60,515	47,638
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations	2,533	(4,214)	2,618
Total comprehensive income for the year	(355,307)	56,301	50,256
(Loss)/profit for the year attributable to:			
Owners of the Company	(324,262)	28,127	34,129
Non-controlling interests	(33,598)	32,388	13,509
	(357,860)	60,515	47,638

	For the year ended 31 December		
	2012	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Total comprehensive income for the year attributable to:			
Owners of the Company	(322,125)	24,668	36,219
Non-controlling interests	(33,182)	31,633	14,037
	(355,307)	56,301	50,256
(Loss)/earnings per share:			
– Basic (RMB cents)	(47.40)	4.91	6.18
– Diluted (RMB cents)	(47.40)	4.86	6.12
Dividend	–	–	–
Dividend per share	–	–	–

	As at 31 December		
	2012	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Total assets	1,694,039	1,903,760	1,354,184
Goodwill and other intangible assets	563,454	622,267	441,135
Total liabilities	1,168,351	1,028,162	687,569
Net current assets/(liabilities)	(90,422)	379,513	38,447
Net tangible assets/(liabilities)	(37,766)	253,331	225,480
Equity attributable to:			
Owners of the Company	284,356	617,653	482,780
Non-controlling interests	241,332	257,945	183,835
Total equity	525,688	875,598	666,615

Notes:

1. The financial statements of the Group for the three years ended 31 December 2010, 2011 and 2012 were audited by BDO Limited. No qualified opinion has been issued by BDO Limited in respect of the financial statements of the Group for the three years ended 31 December 2010, 2011 and 2012.

   For the year ended 31 December 2012, Without qualifying its opinion, BDO Limited had drawn attention to the fact that the Group incurred a loss 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. BDO Limited was of the opinion that these conditions indicated 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.

2. Exceptional items for the financial years ended 31 December 2010, 2011 and 2012.

2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

BDO

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEW FOCUS AUTO TECH HOLDINGS LIMITED
(新焦點汽車技術控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Focus Auto Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	6	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	7	16,446	18,557
Distribution costs		(304,344)	(226,468)
Administrative expenses		(159,909)	(93,009)
Impairment loss on goodwill	19	(164,673)	(155)
Impairment loss on other intangible assets	20	(123,288)	–
Impairment loss on property, plant and equipment	16	(4,141)	–
Finance costs	8	(28,138)	(19,630)
(Loss)/profit before income tax expense	9	(373,877)	85,766
Income tax expense	11	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	15	2,553	(4,214)
Total comprehensive income for the year		(355,307)	56,301
(Loss)/profit for the year attributable to:			
Owners of the Company	12	(324,262)	28,127
Non-controlling interests		(33,598)	32,388
		(357,860)	60,5152
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:	14		
– 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	16	247,137	219,100
Leasehold land and land use rights	17	43,053	17,688
Investment properties	18	47,141	46,764
Goodwill	19	302,244	285,992
Other intangible assets	20	261,210	336,275
Deferred tax assets	30	2,859	222
Prepayments for acquisition of land use right and property, plant and equipment	24(b)	1,133	14,108
Prepayment for proposed acquisition of subsidiaries	24(b)	1,000	1,500
		905,777	921,649
Current assets			
Inventories	23	293,834	310,469
Tax recoverable		113	1,260
Trade receivables	24(a)	193,200	230,373
Deposits, prepayments and other receivables	24(b)	149,758	98,275
Amounts due from related companies	25(a)	8,800	11,064
Trading securities	22	243	243
Pledged time deposits	34	8,588	3,587
Cash and cash equivalents	34	133,726	326,840
		788,262	982,111
Current liabilities			
Bank borrowings, secured	26	249,307	175,549
Trade payables	27	241,484	215,701
Accruals and other payables		155,091	189,213
Amount due to a related party	25(c)	10,998	1,000
Amounts due to non-controlling owners of subsidiaries	25(b)	14,704	10,957
Renminbi-denominated bonds	28	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

	Notes	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank borrowings, secured	*26*	13,648	11,898
Renminbi-denominated bonds	*28*	–	197,879
Convertible bonds	*29*	129,881	122,261
Deferred tax liabilities	*30*	67,792	86,524
Consideration payables	*33*	78,346	7,002
		289,667	425,564
Net assets		525,688	875,598
CAPITAL AND RESERVES			
Share capital	*31*	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

These financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

Mr. Hung Wei-Pi, John
Director

Ms. Hung Ying-Lien
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	39	48
Interests in subsidiaries	21	529,382	489,630
		529,421	489,678
Current assets			
Deposits, prepayments and other receivables		451	2,077
Short-term loan to a subsidiary	21	104,000	167,000
Pledged time deposits	34	1,889	–
Cash and cash equivalents	34	8,485	144,965
		114,825	314,042
Current liabilities			
Bank borrowing, secured	26	3,143	6,300
Accruals and other payables		6,037	4,164
Renminbi-denominated bonds	28	199,372	–
Amounts due to subsidiaries	21	4,070	1,827
		(212,622)	12,291
Net current (liabilities)/assets		(97,797)	301,751
Total assets less current liabilities		431,624	791,429
Non-current liabilities			
Renminbi-denominated bonds	28	–	197,879
Convertible bonds	29	129,881	122,261
		129,881	320,140
Net assets		301,743	471,289
CAPITAL AND RESERVES			
Share capital	31	59,443	58,256
Reserves	32(ii)	242,300	413,033
Total equity		301,743	471,289

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Share premium	Statutory reserve fund	Re-organisation reserve	Enterprise expansion fund	Convertible bonds reserve	Others	Capital redemption reserve	Exchange reserve	Retained profits/ (accumulated losses)	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 31)	*(Note 32(i)(a))*	*(Note 32(i)(b))*	*(Note 32(i)(c))*	*(Note 32(i)(d))*	*(Note 32(i)(g))*	*(Note 32(i)(e))*		*(Note 32(i)(f))*				
At 1 January 2011	55,317	223,155	33,150	2,738	2,756	–	55,630	697	(4,418)	113,755	482,780	183,835	666,615
Profit for the year	–	–	–	–	–	–	–	–	–	28,127	28,127	32,388	60,515
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	(3,459)	–	(3,459)	(755)	(4,214)
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	(3,459)	28,127	24,668	31,633	56,301
Transfer of reserves	–	–	4,282	–	–	–	–	–	–	(4,282)	–	–	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	–	–	250	–	–	–	250	–	250
Consideration issues *(Note 33)*	3,496	73,776	–	–	–	–	(49,800)	–	–	–	27,472	–	27,472
Repurchases and cancellation of shares *(Note 31(i))*	(557)	(10,460)	–	–	–	–	–	557	–	(557)	(11,017)	–	(11,017)
Issue of convertible bonds *(Note 29)*	–	–	–	–	–	110,427	–	–	–	–	110,427	–	110,427
Arising from acquisitions of subsidiaries *(Note 33)*	–	–	–	–	–	–	–	–	–	–	–	48,234	48,234
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(16,927)	(16,927)	(5,707)	(22,634)
De-registration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(50)	(50)
At 31 December 2011 and 1 January 2012	58,256	286,471	37,432	2,738	2,756	110,427	6,080	1,254	(7,877)	120,116	617,653	257,945	875,598
Loss for the year	–	–	–	–	–	–	–	–	–	(324,262)	(324,262)	(33,598)	(357,860)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	2,137	–	2,137	416	2,553
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	2,137	(324,262)	(322,125)	(33,182)	(355,307)
Transfer of reserves	–	–	3,511	–	–	–	–	–	–	(3,511)	–	–	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	–	–	150	–	–	–	150	–	150
Consideration issues *(Note 33)*	1,478	14,933	–	–	–	–	–	–	–	–	16,411	–	16,411
Repurchases and cancellation of shares *(Note 31(i))*	(291)	(5,212)	–	–	–	–	–	291	–	(291)	(5,503)	–	(5,503)
Arising from acquisitions of subsidiaries *(Note 33)*	–	–	–	–	–	–	–	–	–	–	–	38,988	38,988
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(41,841)	(41,841)	(32,646)	(74,487)
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	19,611	19,611	17,636	37,247
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(7,409)	(7,409)
At 31 December 2012	59,443	296,192	40,943	2,738	2,756	110,427	6,230	1,545	(5,740)	(230,178)	284,356	241,332	525,688

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
Operating activities		
(Loss)/profit before income tax expense	(373,877)	85,766
Adjustments for:		
Impairment of inventories	15,637	806
Depreciation of property, plant and equipment	45,857	36,130
Amortisation of leasehold land and land use rights	804	494
Amortisation of other intangible assets	225	782
Additional allowance for doubtful debts on trade receivables	13,879	5
Additional allowance for doubtful debts on other receivables	1,214	–
Impairment on goodwill	164,673	155
Impairment on other intangible assets	123,288	–
Impairment on property, plant and equipment	4,141	–
Equity-settled share-based payments	150	250
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)
Fair value loss on trading securities	–	39
Interest expenses on bank borrowings	11,504	15,307
Imputed interest on Renminbi-denominated bonds	9,014	3,722
Imputed interest on convertible bonds	7,620	601
Gain on de-registration of a subsidiary	–	(50)
Gain on change in fair value of contingent consideration payable for acquisition of a subsidiary	(3,281)	–

	2012 *RMB'000*	2011 *RMB'000*
Operating cash flows before working capital changes	19,163	141,270
Decrease/(increase) in inventories	27,725	(49,909)
Decrease/(increase) in trade receivables	30,399	(89,260)
Increase in deposits, prepayments and other receivables	(51,742)	(9,621)
Decrease/(increase) in amounts due from related companies	2,264	(9,442)
Increase in trade payables	6,404	44,612
Decrease in accruals and other payables	(2,521)	(14,513)
Cash generated from operations	31,692	13,137
Income tax paid	(17,718)	(23,373)
Interest paid	(19,025)	(15,307)
Net cash used in operating activities	(5,051)	(25,543)
Investing activities		
Purchase of other intangible assets	(34)	–
Purchase of property, plant and equipment	(58,709)	(54,098)
Purchase of land use right	(346)	–
Proceeds from disposal of property, plant and equipment	6,509	1,765
Prepayments for acquisition of land use right, property, plant and equipment, and proposed acquisition of subsidiaries	(2,133)	(15,608)
Net cash outflow arising from acquisitions of subsidiaries	(84,041)	(99,387)
Considerations paid for acquisition of subsidiaries	(79,245)	–
(Increase)/decrease in pledged time deposits	(5,001)	117,239
Interest received	1,458	1,437
Net cash used in investing activities	(221,542)	(48,652)

	2012 *RMB'000*	2011 *RMB'000*
Financing activities		
Proceeds from issue of Renminbi-denominated bonds	–	200,000
Issue costs of Renminbi-denominated bonds	–	(3,030)
Proceeds from issue of convertible bonds	–	241,999
Issue costs of convertible bonds	–	(9,912)
Proceeds from new bank loans	299,069	196,600
Repayment of bank loans	(224,316)	(253,578)
Repayment to directors	–	(16)
(Repayment)/advance from non-controlling owners of subsidiaries	(6,957)	6,207
Advance/(repayment) of loan to a non-controlling owner of a subsidiary	1,278	(7,000)
Advance from a related party	9,998	1,000
Repurchases of shares	(5,503)	(11,017)
Net cash outflow arising from acquisition of additional interests in subsidiaries	(37,240)	(22,634)
Dividend paid to non-controlling owner of a subsidiary	(2,705)	–
Net cash generated from financing activities	33,624	338,619
Net (decrease)/increase in cash and cash equivalents	(192,969)	264,424
Cash and cash equivalents at beginning of year	326,840	63,216
Effect of foreign exchange rate changes	(314)	(800)
Cash and cash equivalents at end of year	133,557	326,840
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	133,726	326,840
Bank overdrafts	(169)	–
	133,557	326,840

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 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. Further details of the Company's subsidiaries are set out in Note 21. The Company and its subsidiaries are collectively referred to the Group.

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

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.

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.

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

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKSAs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) 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 as explained in the accounting policies set out below.

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 plan 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 report, 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 of the Company 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.

The directors of the Company 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 of the Company 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.

(c) Functional and presentation currency

The financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group’s previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as change to other comprehensive income.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(b) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent period.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The historical cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Freehold land	Not depreciated
Buildings	5%
Leasehold improvements	Over the remaining term of the lease but not exceeding 10 years
Plant and machinery	10% to 33%
Motor vehicles	20%
Office equipment, furniture and fixtures	20% to 33%

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction as well as borrowing costs capitalised during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and its carrying amount, and is recognised in profit or loss.

(e) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at their costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

(f) Other intangible assets

Other intangible assets are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, other intangible assets with indefinite useful lives are carried at cost less any impairment losses and other intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any change in estimate being accounted for on a prospective basis. The principal annual rates of other intangible assets with definite useful lives are as follows:

Trademarks with definite useful lives	6.6% to 10%
Technical know-how	20%

(g) Impairment of tangible and intangible assets excluding goodwill

At end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued using a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

(j) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. During the year, the Group's financial assets are classified as financial assets at fair value through profit or loss, and loans and receivables. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For the Group's loans and receivables, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other current receivables and other financial assets carried at amortised cost, if any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(k) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iii) Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds reserve will be released to the retained earnings/accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

(iv) Other financial liabilities

Other financial liabilities of the Group are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(m) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight line basis over the lease term. Where the Group is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and land use rights held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense and less any impairment losses.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(p) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

(q) Employees' benefits

(i) Short-term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligation once the contributions have been paid.

(r) Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (i.e. share options reserve), based on the Group's estimate of equity instruments that will eventually vest. At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

At the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

(s) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Revenue from the sale of products is recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Revenue for providing services is recognised to the extent of services rendered and according to the terms of the agreement.

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

(v) Subsidies from the government are recognised at their fair values when there is reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

(vi) Sponsorship income is recognised on an accrual basis when the right to receive has been established.

(v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5. 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.

(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).

(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. Further details are set out in Note 19.

(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.

(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 payables based on post-acquisition performance of the subsidiaries

In connection with the acquisition of subsidiaries, the contingent consideration payables are based on post-acquisition performance of the subsidiaries and other conditions, details of which are set out in Note 33.

6. 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.

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

2012

	Manufacture and sale of automobile accessories	Provision of automobile repair, maintenance and restyling services and trading of automobile accessories	Consolidated
	RMB'000	*RMB'000*	*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)

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*
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

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

(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.

(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.

7. OTHER REVENUE AND GAINS AND LOSSES

	Note	2012 RMB'000	2011 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	*18*	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

\# *The balance represented compensation income from local governments for taxes paid by certain subsidiaries in the PRC and subsidies granted by the PRC local governments.*

* *The Group's acquisition consideration for equity interests in certain subsidiaries consisted of fixed consideration and contingent acquisition consideration which is calculated in accordance with the terms and calculation method of the contingent consideration payables stipulated in the related acquisition agreements and disclosed in Notes 33 and 42.*

8. FINANCE COSTS

	Notes	2012 RMB'000	2011 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	*28*	9,014	3,722
Imputed interest on convertible bonds	*29*	7,620	601
		28,138	19,630

9. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	Notes	2012 RMB'000	2011 RMB'000
This is arrived at after charging/(crediting):			
Exchange (gains)/losses, net		(323)	3,138
Cost of inventories *(Note)*		310,614	378,726
Cost of services *(Note)*		677,464	707,137
Impairment of inventories		15,637	806
		1,003,715	1,086,669
Depreciation of property, plant and equipment	*16*	45,857	36,130
Amortisation of:			
Leasehold land and land use rights	*17*	804	494
Other intangible assets*	*20*	225	782
Total depreciation and amortisation charges		46,886	37,406
Additional allowance for doubtful debts on trade receivables	*24*	13,879	5
Additional allowance for doubtful debts on other receivables		1,214	–
Auditors' remuneration		2,075	1,338
Fair value loss on trading securities		–	39
Employee benefit expenses (including directors' remuneration) *(Note 10(a))*:			
Salaries and allowances		200,763	150,145
Pension fund contributions		20,941	19,122
Equity-settled share-based payments	*38*	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

Note: Costs of inventories and services includes RMB57,548,000 (2011: RMB55,895,000) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

* *Included in administrative expenses.*

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The directors' remuneration for the years ended 31 December 2012 and 2011 is set out below:

2012

Name of directors	Fees	Salaries and other allowances	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Hung Wei-Pi, John	–	1,956	1,956
Raymond N. Chang *(Chief Executive Officer)*	–	1,800	1,800
Wu Kwan-Hong	–	3,257	3,257
Hung Ying-Lien	–	1,491	1,491
Lu Yuan Cheng	–	2,408*	2,408
Douglas Charles Stuart Fresco	–	49	49
Edward B. Matthew (Mr. Matthew)	–	49	49
Non-executive directors:			
Low Hsiao-Ping	–	60	60
Hsu Ming Chyuan	–	60	60
Chang An-Li	–	–	–
Independent non-executive directors:			
Du Hai-Bo	84	–	84
Zhou Tai-Ming	84	–	84
Uang Chii-Maw	84	–	84
Chih T. Cheung	–	–	–
	252	11,130	11,382

* *Included in the balance is compensation for loss of office as a director to Mr Lu Yuan Cheng amounted to RMB2,000,000.*

2011

Name of directors	Fees	Salaries and other allowances	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Hung Wei-Pi, John *(Chief Executive Officer)*	–	1,956	1,956
Wu Kwan-Hong	–	1,042	1,042
Hung Ying-Lien	–	922	922
Lu Yuan Cheng	–	446	446
Douglas Charles Stuart Fresco	–	50	50
Edward B. Matthew (Mr. Matthew)	–	50	50
Non-executive directors:			
Low Hsiao-Ping	–	60	60
Hsu Ming Chyuan	–	60	60
Chang An-Li	–	–	–
Independent non-executive directors:			
Zhou Tai-Ming	84	–	84
Du Hai-Bo	84	–	84
Uang Chii-Maw	84	–	84
	252	4,586	4,838

Apart from RMB2,000,000 paid to a director for his compensation for loss of office as director during the year, no discretionary bonus, inducement fee, employer's contribution to pension scheme or compensation for loss of office as directors was given to any of the directors (2011: RMBNil).

None of the directors has waived or agreed to waive any emolument paid by the Group during the year ended 31 December 2012 (2011: RMBNil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2012 included five (2011: three) directors whose emoluments are reflected in the analysis presented in Note 10(a) above. In the prior year, the emoluments paid or payable to the remaining two non-director highest paid employees whose emoluments were less than RMB1,000,000 are as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries and other allowances	–	1,254

The emoluments paid or payable to members of senior management were within the following bands:

	2012 *Number of individuals*	2011 *Number of individuals*
Nil to RMB1,000,000	2	3

11. INCOME TAX EXPENSE

(a) 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 *(Note 30)*		
– 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

(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 2011 and 2012. 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% (2011: 25%) and 17% (2011: 17%), respectively for the year. One major PRC subsidiary of the Company, being qualified as a foreign investment production enterprise and a high and new tech enterprise in the PRC, is subject to an applicable national PRC income tax rate of 15% (2011: 15%) for three years commencing from 1 January 2011.

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

	2012	**2011**
	RMB'000	*RMB'000*
(Loss)/profit before income tax expense	(373,877)	85,766
Tax calculated at applicable tax rate of 25% (2011: 25%)	(93,469)	21,441
Tax effect of non-taxable income	(692)	(215)
Tax effect of non-deductible expenses	43,379	–
Utilisation of tax losses not previously recognised	(1,035)	(551)
Effect of change in tax rate	131	261
Unrecognised tax losses	29,207	5,844
Effect of preferential tax treatments and tax exemptions	(705)	(1,774)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,241	322
Under-provision/(over-provision) in respect of prior years	2,926	(77)
Income tax expense	(16,017)	25,251

12. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The (loss)/profit for the year attributable to owners of the Company includes a loss of RMB36,185,000 (2011: RMB22,506,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

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

14. (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	2011
	RMB'000	*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

	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.*

15. OTHER COMPREHENSIVE INCOME, NET OF TAX

	2012			2011		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translating foreign operations	2,553	–	2,553	(4,214)	–	(4,214)

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Notes	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Opening net carrying amount as at 1 January 2012		19,576	83,980	35,129	48,980	12,856	18,579	219,100
Additions		14,512	420	21,850	14,440	4,137	8,658	64,017
Acquisition of subsidiaries	33	5,455	8,889	353	827	821	3,040	19,385
Transfers upon completion		(19,506)	–	6,801	1,493	–	11,212	–
Disposals		–	–	(4,519)	(713)	(807)	(620)	(6,659)
Depreciation charge for the year		–	(4,056)	(16,185)	(13,668)	(3,595)	(8,353)	(45,857)
Exchange realignment		12	716	356	114	14	80	1,292
Impairment	19	–	–	(771)	–	(1,732)	(1,638)	(4,141)
Closing net carrying amount as at 31 December 2012		20,049	89,949	43,014	51,473	11,694	30,958	247,137
Opening net carrying amount as at 1 January 2011		1,240	88,939	28,713	50,330	9,003	22,951	201,176
Additions		23,409	526	6,132	12,507	5,988	5,536	54,098
Acquisition of subsidiaries	33	–	–	1,442	603	1,326	455	3,826
Transfers upon completion		(4,986)	77	4,108	309	–	492	–
Disposals		–	–	(591)	(111)	(298)	(124)	(1,124)
Depreciation charge for the year		–	(4,127)	(3,959)	(14,420)	(3,131)	(10,493)	(36,130)
Exchange realignment		(87)	(1,435)	(716)	(238)	(32)	(238)	(2,746)
Closing net carrying amount as at 31 December 2011		19,576	83,980	35,129	48,980	12,856	18,579	219,100

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
At 31 December 2012:							
Cost	20,049	105,964	82,773	125,230	24,662	73,515	432,193
Accumulated depreciation and impairment	–	(16,015)	(39,759)	(73,757)	(12,968)	(42,557)	(185,056)
Net carrying amount	20,049	89,949	43,014	51,473	11,694	30,958	247,137
At 31 December 2011:							
Cost	19,576	95,917	59,399	110,318	21,398	51,261	357,869
Accumulated depreciation and impairment	–	(11,937)	(24,270)	(61,338)	(8,542)	(32,682)	(138,769)
Net carrying amount	19,576	83,980	35,129	48,980	12,856	18,579	219,100

The Company

	Leasehold improvements *RMB'000*	Office equipment, furniture and fixtures *RMB'000*	Total *RMB'000*
Net carrying amount as at 1 January 2011	19	52	71
Additions	–	8	8
Depreciation charge for the year	–	(31)	(31)
Net carrying amount as at 31 December 2011	19	29	48
Depreciation charge for the year	(8)	(1)	(9)
Net carrying amount as at 31 December 2012	11	28	39
At 31 December 2012:			
Cost	45	153	198
Accumulated depreciation	(34)	(125)	(159)
Net carrying amount	11	28	39
At 31 December 2011:			
Cost	45	153	198
Accumulated depreciation	(26)	(124)	(150)
Net carrying amount	19	29	48

Freehold land and buildings of the Group are located outside Hong Kong. Certain freehold land and buildings of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 26.

17. LEASEHOLD LAND AND LAND USE RIGHTS

The Group

	Note	**2012** *RMB'000*	**2011** *RMB'000*
Net carrying amount:			
At beginning of year		17,688	18,182
Additions		9,146	–
Acquisition of a subsidiary	33	17,023	–
Amortisation charge for the year		(804)	(494)
At end of year		43,053	17,688
Cost		46,716	20,547
Accumulated amortisation		(3,663)	(2,859)
Net carrying amount		43,053	17,688

The Group's interests in leasehold land and land use rights were held outside Hong Kong under medium term leases.

Certain leasehold land and land use rights of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 26.

18. INVESTMENT PROPERTIES

The Group

	Note	2012 *RMB'000*	2011 *RMB'000*
FAIR VALUE			
At beginning of year		46,764	46,105
Change in fair value	7	377	659
At end of year		47,141	46,764

As at 31 December 2012, the investment properties were revalued at RMB47,141,000 (2011: RMB46,764,000) by Shanghai Wan Long Real Estate Appraisal Co., Ltd., an independent firm of professionally qualified valuers recognised by the relevant PRC association of valuers with recent experience in the location and category of property being valued, on the following basis. All investment properties of the Group are located outside Hong Kong, of which investment properties of RMB20,975,000 (2011: RMB20,886,000) and RMB26,166,000 (2011: RMB25,878,000) are held under long and medium terms respectively.

The valuations were arrived at by reference to (i) market evidence of transaction prices for similar properties; (ii) current rents of the properties being held under existing tenancies and the reversionary income potential of tenancies; and (iii) the value of the land, together with the replacement costs of industrial buildings.

Details of the property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, are set out in Notes 7 and 37.

Certain investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 26.

19. GOODWILL

The Group

	Note	*RMB'000*
Carrying amount:		
At 1 January 2011		184,883
Acquisition of subsidiaries	33	101,316
Impairment		(155)
Exchange realignment		(52)
At 31 December 2011 and 1 January 2012		285,992
Acquisition of subsidiaries	33	180,899
Impairment		(164,673)
Exchange realignment		26
At 31 December 2012		302,244

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill is allocated as follows:

	2012	2011
	RMB'000	*RMB'000*
Provision of automobile repair, maintenance and restyling services:		
Changchun Guangda Automobile Trading Co., Ltd	142,804	–
Beijing Aiyihang Auto Services Ltd.	43,919	43,919
IPO Automotive Corporation Limited	27,878	–
Shenzhen Yonglonghang Auto Service Ltd.	7,165	16,378
Shandong Xingzhe Auto Supplies Service Co., Ltd	10,217	–
New Focus Richahaus Co. Ltd.	8,008	8,008
Others	–	102
Accumulated exchange realignment	(26)	(52)
	239,965	68,355
Trading of automobile accessories:		
Liaoning Xin Tian Cheng Industrial Co., Limited	–	45,260
Zhejiang Autoboom Industrial Co., Limited	–	71,061
Hubei Autoboom Auto Accessories Supermarket Co., Limited	43,624	64,603
Shanghai Astrace Trade Development Co., Limited	18,655	36,713
	62,279	217,637
Total	302,244	285,992

The respective recoverable amounts of certain CGUs were determined by the directors of the Company with reference to professional valuation reports issued by RHL Appraisal Limited and China Intangible Asset Appraisement Co., Ltd., independent firms of professionally qualified valuers, which were based on value-in-use calculations. All the calculations of recoverable amounts use cash flow projections based on financial budgets approved by management covering a forecast period. Cash flows beyond the forecast periods which ranged from three to five years are extrapolated using the estimated rates of 0-3% (2011: 3%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

	2012	2011
	%	%
Gross margin	15–58	22–53
Growth rate within the forecast period	0–32	14–50
Discount rate	12–19	16–20

Management determined the budgeted gross margin based on past performance and its 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 are pre-tax and reflect specific risks relating to the relevant segment.

The Group had originally anticipated that there would be significant growths of revenue and profitability of certain CGUs as at the respective dates of acquisition. However, in the current year, the growth rates of revenue and profitability of these CGUs especially in certain regions had been lower than expected. The directors of the Company are of the opinion, based on value-in-use calculations, that goodwill, other intangible assets, and property, plant and equipment associated with certain CGUs above were impaired by RMB164,673,000 (2011: RMB155,000), RMB123,288,000 (2011: RMBNil) (Note 20), and RMB4,141,000 (2011: RMBNil) (Note 16) respectively in order to state the carrying values to their recoverable amounts as at the end of respective reporting period.

20. OTHER INTANGIBLE ASSETS

The Group

	Notes	Trademarks *RMB'000*	Tradenames *RMB'000*	Technical know-how *RMB'000*	Total *RMB'000*
Net carrying amount:					
At 1 January 2011		243,185	13,067	–	256,252
Amortisation charge for the year		(782)	–	–	(782)
Exchange realignment		(627)	–	–	(627)
Acquisition of subsidiaries	*33*	50,972	30,460	–	81,432
At 31 December 2011 and 1 January 2012		292,748	43,527	–	336,275
Additions		34	–	–	34
Amortisation charge for the year		(225)	–	–	(225)
Impairment during the year	*19*	(123,288)	–	–	(123,288)
Exchange realignment		296	–	–	296
Acquisition of subsidiaries	*33*	43,194	–	4,924	48,118
At 31 December 2012		212,759	43,527	4,924	261,210
At 31 December 2012:					
Cost		338,062	43,527	4,924	386,513
Accumulated amortisation and impairment		(125,303)	–	–	(125,303)
Net carrying amount		212,759	43,527	4,924	261,210
At 31 December 2011:					
Cost		294,514	43,527	–	338,041
Accumulated amortisation		(1,766)	–	–	(1,766)
Net carrying amount		292,748	43,527	–	336,275

Included in the above intangible assets as at 31 December 2012 are (i) certain trademarks, (ii) tradenames with indefinite useful lives and (iii) technical know-how which are attributable to the same CGUs with which the goodwill amounts are recognised. Details of the impairment assessment of the CGUs are set out in Note 19.

As at end of reporting period, trademarks with aggregate carrying amount of RMB211,939,000 (2011: RMB290,496,000) have indefinite useful lives as they are considered renewable at minimal costs. Management of the Group are of the opinion that the Group would renew the trademarks continuously and has the ability to do so.

As at end of reporting period, tradenames with accumulated carrying amount of RMB43,527,000 (2011: RMB43,527,000) were acquired through business combinations and were considered by management of the Group as having indefinite useful life as there was no limit to the period the tradenames would contribute to net cash inflows.

21. INTERESTS IN SUBSIDIARIES

The Company

	2012	**2011**
	RMB'000	*RMB'000*
Unlisted shares, at cost	164,066	164,066
Amounts due from subsidiaries	509,735	325,564
	673,801	489,630
Less: Impairment loss on amounts due from subsidiaries	(144,419)	–
	529,382	489,630

Short-term loan to a subsidiary is unsecured, interest-free and repayable within one year from the end of the respective reporting periods. Amounts due from a subsidiaries are unsecured, interest-free and in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans. Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

As at 31 December 2012, an accumulated impairment loss on amounts due from subsidiaries of RMB144,419,000 (2011: RMBNil) was recognised for the carrying amount of the amounts due from subsidiaries in the aggregate amount of RMB264,431,000 (before deducting the impairment losses) because the relevant subsidiaries had suffered losses during the year.

Particulars of the Company's principal subsidiaries as at 31 December 2012 are as follows:

Company name	**Country/place and date of incorporation/ establishment**	**Legal form of entities for those established in the PRC**	**Registered capital/ share capital**	**Issued and fully paid up capital**	**Percentage of attributable equity interest**	**Principal activities/ place of operation**
Interests directly held:						
Perfect Progress Investments Limited ("Perfect Progress")	The British Virgin Islands 8 April 2002	–	US$50,000 Ordinary shares	US$500	100%	Investment holding Hong Kong
New Focus Auto Tech International Limited (Formerly known as Win Bridge International Limited)	The British Virgin Islands 2 April 2007	–	US$1 Registered capital	US$1	100%	Investment holding Hong Kong
Interests indirectly held:						
Shanghai New Focus Auto Parts Co., Ltd. ("NFA Parts") *(Note (i))*	The PRC 1 March 1994	Wholly-owned foreign enterprise	US$6,500,000 Registered capital	US$6,500,000	100%	Manufacture and sale of automobile accessories The PRC
New Focus Light and Power Technology (Shanghai) Co., Ltd. ("New Focus Light & Power") *(Note (i))*	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$16,300,000 Registered capital	US$16,300,000	100%	Manufacture and sale of automobile accessories The PRC

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/ share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/ place of operation
Shanghai New Focus Auto Repair Services Co., Ltd. *(Note (i))*	The PRC 21 December 2000	Limited liability company	RMB83,500,000 Registered capital	RMB83,500,000	100%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Liaoning Xin Tian Cheng Industrial Co., Limited	The PRC 8 January 2009	Limited liability company	RMB20,000,000 Registered capital	RMB20,000,000	51%	Trading of automobile products The PRC
Xinjiaodian (Chengdu) Auto Maintain Co. Ltd.	The PRC 27 April 2005	Limited liability company	RMB11,584,870 Registered capital	RMB11,584,870	90.97%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
New Focus Richahaus Co. Ltd. ("Richahaus")	Taiwan 15 September 2006	–	NT$202,574,000 Share capital	NT$202,574,000	81.32%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan
Shandong New Focus Longsheng Auto Parts Co. Ltd.	The PRC 26 April 2006	Limited liability company	US$4,012,700 Registered capital	US$4,012,700	58.99%	Manufacture and sale of automobile accessories The PRC
Beijing Aiyihang Auto Service Ltd. ("Aiyihang")	The PRC September 1997	Limited liability company	RMB38,500,000 Registered capital	RMB38,500,000	60%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Shenzhen Yonglonghang Auto Service Ltd.	The PRC June 2002	Limited liability company	RMB13,000,000 Registered capital	RMB13,000,000	100%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Zhejiang Autoboom Industrial Co., Limited	The PRC December 2008	Limited liability company	RMB28,000,000 Registered capital	RMB28,000,000	51%	Trading of automobile products The PRC
Hubei Autoboom Auto Accessories Supermarket Co., Limited	The PRC 28 July 2009	Limited liability company	RMB19,800,000 Registered capital	RMB19,800,000	51%	Trading of automobile products The PRC
Shanghai Astrace Trade Development Co., Limited	The PRC 11 August 2003	Limited liability company	RMB12,000,000 Registered capital	RMB12,000,000	51%	Trading of automobile products The PRC
New Focus Auto Tech Inc.	United States of America ("USA") 24 November 2009	–	US$100,000 Registered capital	US$100,000	100%	Investment holding USA
IPO Automotive Corporation Limited	Taiwan 8 June 2012	–	NT$40,000,000 Share capital	NT$40,000,000	97.5%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan
Changchun Guangda Automobile Trading Co., Ltd	The PRC 31 January 2002	Limited liability company	RMB47,800,000 Registered capital	RMB47,800,000	51%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

(i) The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

22. TRADING SECURITIES

The Group

The balance represented investments in equity securities that were listed in the PRC, and were stated at fair value based on quoted market prices as at the end of reporting period.

23. INVENTORIES

The Group

	2012	2011
	RMB'000	*RMB'000*
Raw materials	23,162	32,339
Work-in-progress	28,000	29,571
Finished goods	29,104	18,228
Merchandise goods	213,568	230,331
	293,834	310,469

24. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

The Group

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	208,117	231,411
Less: allowance for doubtful debts	(14,917)	(1,038)
	193,200	230,373

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

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

The Group

	2012	**2011**
	RMB'000	*RMB'000*
At beginning of year	1,038	1,447
Additional allowance for the year *(Note 9)*	13,879	5
Bad debts written off	–	(414)
At end of year	14,917	1,038

As at 31 December 2012, the Group's trade receivables of RMB45,259,000 (2011: RMB24,478,000) were individually determined to be partially impaired. Such trade receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that only a portion of the receivables is expected to be recovered. Consequently, an accumulated allowance for doubtful debts of RMB14,917,000 (2011: RMB1,038,000) is made as at 31 December 2012. 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:

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

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

The Group

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	69,745	168,675
Less than 1 month past due	55,625	27,604
1 to 2 months past due	37,488	10,654
	93,113	38,258
	162,858	206,933

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) Prepayments and other receivables

Current year non-current prepayments were made for acquisition of items of property, plant and equipment. Prior year non-current prepayments mainly represented (i) a consideration prepaid for a land use right in respect of a land located in Shanghai; and (ii) prepayments made for acquisition of items of property, plant and equipment.

Non-current prepayment of RMB1,000,000 (2011: RMB1,500,000) represented a consideration prepaid for proposed acquisition of equity interest in a target entity established in the PRC.

Included in the Group's deposits, prepayments and other receivables classified under current assets are (i) amounts due from non-controlling owners of subsidiaries and their family members of approximately RMB2,538,000 as at 31 December 2012 (2011: RMB1,260,000) which are unsecured, interest-free, and repayable on demand; and (ii) a deposit of RMB40,000,000 paid for the proposed acquisition of equity interests of companies. According to the acquisition agreement dated 30 March 2012, the entire consideration for the proposed acquisition amounted to RMB80,000,000, completion of which are subject to certain conditions which have not been fulfilled during the year. According to the revocation agreement of the proposed acquisition dated 9 December 2012, the proposed acquisition was revoked and the deposit of RMB40,000,000 shall be refunded to the Group by two instalments on 30 June 2013 and 31 December 2013.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES, NON-CONTROLLING OWNERS OF SUBSIDIARIES AND A RELATED PARTY

(a) Amounts due from related companies

Amounts due from related companies, which are disclosed pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, are as follow:

(i) Custom Accessories Asia Limited ("Custom Accessories")

Interests are held by Mr. Matthew and his close family members. Details of the balance with Custom Accessories are as follows:

	2012	2011
	RMB'000	*RMB'000*
Balance at 1 January	1,389	1,622
Balance at 31 December	137	1,389
Maximum amount outstanding during the year	2,658	2,221

(ii) CAE Direct Import Ltd. ("Custom Accessories Europe")

Interests are held by Mr. Matthew and his close family members. Details of the balance with Custom Accessories Europe are as follows:

	2012	2011
	RMB'000	*RMB'000*
Balance at 1 January	738	–
Balance at 31 December	674	738
Maximum amount outstanding during the year	738	776

(iii) Liaoning Xin Tian Cheng Business Management Co., Ltd. ("XTC Business Management")

Interests are held by Tong Yan and Li Hai Peng who are non-controlling owners of a subsidiary of the Group as at the end of reporting period. Details of the balance with XTC Business Management are as follows:

	2012	2011
	RMB'000	*RMB'000*
Balance at 1 January	8,937	–
Balance at 31 December	7,989	8,937
Maximum amount outstanding during the year	12,694	11,625

Amounts due from Custom Accessories and Custom Accessories Europe arise from trading activities with aging from current to 30 days. Amount due from XTC Business Management arises from trading activities which has no fixed terms of repayment. The amounts due from the related companies are unsecured and interest-free.

There was no amount due but unpaid, nor any allowance for doubtful debts made against the principal amounts as at 31 December 2011 and 2012.

(b) Amounts due to non-controlling owners of subsidiaries

As at 31 December 2011 and 2012, the amounts due to non-controlling owners of subsidiaries are unsecured, interest-free and repayable on demand.

(c) Amount due to a related party

The amount due to a related party who is a close family member of a non-controlling owner of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

26. BANK BORROWINGS, SECURED

The Group

	2012	**2011**
	RMB'000	*RMB'000*
Bank loans	262,786	187,447
Bank overdrafts	169	–
	262,955	187,447
Bank borrowings are repayable as follows:		
On demand or within one year	249,307	175,549
After one year but within two years	1,629	1,210
After two years but within five years	4,872	10,688
After five years	7,147	–
	262,955	187,447
Amount due within one year included in current liabilities	(249,307)	(175,549)
Amount included in non-current liabilities	13,648	11,898

As at 31 December 2011 and 2012, the banking facilities are secured by (i) the Group's certain freehold land and buildings with an aggregate net carrying amount of RMB81,118,000 (2011: RMB83,980,000); (ii) the Group's certain leasehold land and land use rights of RMB17,195,000 (2011: RMB17,688,000); (iii) the Group's certain investment properties of RMB40,366,000 (2011: RMB17,800,000); (iv) personal guarantees from a director of the Company and a director of a subsidiary, and their spouses; (v) pledged time deposits of RMB8,588,000 (2011: RMB3,587,000); and (vi) corporate guarantees of the Company and subsidiaries.

Most of the bank loans bear floating interest rates ranging from 2.31% to 7.216% per annum (2011: 1.74% to 7.32% per annum). The bank overdrafts were repayable on demand and bore interest at the lending rate stipulated by the People's Bank of China applicable to the 6-month loan.

As at 31 December 2012, the Group had available undrawn committed banking facilities of RMB217,628,000 (2011: RMB89,726,000) in respect of which all conditions precedent were met.

	2012	2011
	RMB'000	*RMB'000*
Bank borrowings of the Group were denominated in:		
RMB	222,030	162,707
United States dollars ("US$")	3,143	6,301
Taiwan dollars ("NTD")	37,782	18,439
	262,955	187,447

The Company

The Company's bank loan bears floating interest rate at SIBOR plus 2% (2011: SIBOR plus 1.3%) with effective interest rate of 2.46% (2011: 1.74%) per annum and is denominated in US$ (2011: US$).

27. 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.

28. RENMINBI-DENOMINATED BONDS

The Group and the Company

	2012	2011
	RMB'000	*RMB'000*
At beginning of year	200,692	–
Fair value at inception, net of issue costs	–	196,970
Imputed interest expense *(Note 8)*	9,014	3,722
Interest payment during the year	(7,521)	–
Less: interest payable included in other payables under current liabilities	(2,813)	(2,813)
	199,372	197,879
Portion classified as current liabilities	(199,372)	–
Non-current portion	–	197,879

On 17 August 2011, the Company issued bonds in the principal amount of RMB200,000,000 to international institutional investors. The coupon interest rate of the bonds is 3.75% per annum and the maturity period is two years from the date of issue, i.e. 17 August 2013. Interest is payable in arrear on the date falling upon each half anniversary of this bond. The Company may repay any part of the principal amount of the bonds at any time from the date of issue to the date immediately prior to the maturity date.

The fair value of the bonds at the issue date was approximately RMB196,970,000, after net-off of the issue costs. The effective interest rate of the bonds is determined to be 4.59% per annum.

29. CONVERTIBLE BONDS

The Group and the Company

In December 2011, the Company issued redeemable convertible bonds (the "CBs") in the principal amount of US$38,201,001 (equivalent to RMB241,999,000) to international institutional investors. The net proceeds of the CBs available to the Group was RMB232,087,000, after net-off of issue costs of RMB9,912,000. The CBs are non-interest-bearing and are mandatorily convertible into ordinary shares of the Company at an initial conversion price of HK$2.781 per conversion share (subject to anti-dilutive adjustments in accordance with the terms of the CBs), at any time during the period commencing from the three months after date of issue of CBs to the maturity date of the CBs.

The CBs are denominated in US$ with fixed exchange rates with RMB and Hong Kong dollars ("HK$") upon issuance. The maturity date of the CBs will be the date falling on the fourth anniversary of the issue date (i.e. December 2015) and the CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$2.781 per shares, subject to certain anti-dilutive adjustments.

Under the subscription agreements of the CBs, if the Group fails to achieve ninety-five per cent of thirty-two per cent average growth rate of basic earnings per share ("EPS") excluding the impacts of the CBs per year on a compounding basis for the years from 2011 to 2014, the Company shall pay to the holders, on the maturity date, in cash and in US$ an amount which shall be equivalent to sixty-four per cent of the principal amount of the CBs.

The investors of the CBs are entitled to request the redemption of the outstanding CBs (if not converted in full) and the payment in cash and in US$ of the principal amount of such remaining CBs and an amount of interest representing 20% of the internal rate of return of the principal amount from the date of issuance of the CBs to the payment date, upon giving forty-five (45) days' notice in writing, under certain conditions, inter alia, the difference between the basic EPS and the fully diluted EPS as stated in the audited annual consolidated financial statements exceeds 10% in average for the years from 2011 to 2014 (excluding the effect on such difference arising from the issuance of CBs under the subscription agreement).

The fair values of the liability component and the equity component were determined at the issuance of the CBs. The fair value of the liability component upon issuance, included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity component, is included in convertible bonds reserve net of deferred income taxes (where applicable) under shareholders' equity.

The CBs recognised in the consolidated and company statements of financial position is calculated as follows:

	RMB'000
Face value of CBs upon issuance, net of issue costs	232,087
Equity component	(110,427)
Liability component on initial recognition	121,660
Imputed interest expense *(Note 8)*	601
Liability component at 31 December 2011 and 1 January 2012	122,261
Imputed interest expense *(Note 8)*	7,620
Liability component at 31 December 2012	129,881

The fair value of the liability component of the CBs upon issuance is calculated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for non-convertible borrowing of 6.09% per annum based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers. The initially recognised liability component and equity component of the CBs amounted to RMB121,660,000 and RMB110,427,000 respectively after net-off of the issue costs on a pro-rata basis.

Among other undertakings in relation to the CBs, Mr. Hung Wei-Pi, John, who is a director and a shareholder of the Company, irrevocably and unconditionally indemnifies, defends and holds harmless the investors of the CBs (and their successor or assign) from and against any and all losses, costs, and claims suffered by the investors or incurred by the investors that arise from any breach by Mr. Hung Wei-Pi, John of the representations, warranties and undertakings contained in the deed of undertakings.

30. DEFERRED TAX

The Group

The movements in deferred tax assets/(liabilities) are as follows:

Deferred tax assets:

	Tax losses	**Accrued expenses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	–	65	32	97
Credited to profit or loss *(Note 11)*	–	129	–	129
Exchange realignment	–	(4)	–	(4)
At 31 December 2011 and 1 January 2012	–	190	32	222
Credited to profit or loss *(Note 11)*	2,590	–	–	2,590
Exchange realignment	40	7	–	47
At 31 December 2012	2,630	197	32	2,859

The above tax losses are available for a period of ten years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognised in respect of the above item as the directors, in their opinion, consider it is probable that taxable profits will be available and the above item can be utilised.

In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2012, the Group had unrecognised tax losses carried forward of RMB177,144,000 (2011: RMB66,738,000). As at 31 December 2011, the Group did not recognise any deferred tax asset arising from such tax losses as management is of the view that it was not probable that such benefits of tax losses would be realised before they expire.

The Group

Deferred tax liabilities:

	Other intangible assets *RMB'000*	**Fair value gain on investment properties** *RMB'000*	**Accrued subsidy income** *RMB'000*	**Total** *RMB'000*
At 1 January 2011	(61,285)	(4,277)	(192)	(65,754)
Acquisition of subsidiaries *(Note 33)*	(20,354)	–	–	(20,354)
Effect of change in tax rate *(Note 11)*	(261)	–	–	(261)
Charged to profit or loss *(Note 11)*	(37)	(153)	–	(190)
Exchange realignment	35	–	–	35
At 31 December 2011 and 1 January 2012	(81,902)	(4,430)	(192)	(86,524)
Acquisition of subsidiaries *(Note 33)*	(11,679)	–	–	(11,679)
Effect of change in tax rate *(Note 11)*	(131)	–	–	(131)
Credited to profit or loss *(Note 11)*	30,629	(76)	–	30,553
Exchange realignment	(11)	–	–	(11)
At 31 December 2012	(63,094)	(4,506)	(192)	(67,792)

A 10% PRC withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised approximately RMB12,825,000 at 31 December 2012 (2011: RMB18,285,000).

31. SHARE CAPITAL

	2012		**2011**	
	Number of shares *'000*	**Amount** *HK$'000*	**Number of shares** *'000*	**Amount** *HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	2,000,000	200,000	2,000,000	200,000

	2012			2011		
	Number of shares	**Amount**	**Amount**	**Number of shares**	**Amount**	**Amount**
	'000	*HK$'000*	*RMB'000*	*'000*	*HK$'000*	*RMB'000*
Issued and fully paid:						
At beginning of year	576,717	57,672	58,256	541,738	54,174	55,317
Consideration issues *(Note 33)*	18,226	1,822	1,478	41,739	4,174	3,496
Repurchases and cancellation of shares *(Note (i))*	(3,640)	(364)	(291)	(6,760)	(676)	(557)
At end of year	591,303	59,130	59,443	576,717	57,672	58,256

Note:

(i) During the year ended 31 December 2012, by virtue of exercise of the rights granted by the Company's shareholders to the directors under general mandate, the Company repurchased on the Stock Exchange 3,640,000 (2011: 6,760,000) ordinary shares of HK$0.1 each at a total consideration after expenses of RMB5,503,000 (2011: RMB11,017,000). These shares were cancelled after repurchases during the respective year.

32. RESERVES

(i) Reserves of the Group

(a) Share premium

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

(b) Statutory reserve fund

The Group's wholly-owned-foreign subsidiaries established in the PRC are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the applicable PRC accounting standards, to statutory reserve fund until the fund aggregates to 50% of their respective registered capital.

The statutory reserve fund can only be used, upon approval by the respective board of directors, to offset accumulated losses or increase capital.

(c) Reorganisation reserve mainly represents:

(i) the difference of RMB8,263,000 between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation and the nominal value of Perfect Progress's shares issued in exchange therefor;

(ii) in 2001, Custom Accessories, the former investor of New Focus Light & Power, contributed capital of RMB19,959,000;

(iii) as part of the reorganisation and pursuant to the share transfer agreement dated 3 June 2002, which became effective on 20 June 2002 according to the Certificate of Approval issued by the Shanghai People's Government (the "Certificate of Approval"), Mr. Hung Wei-Pi, John, the sole shareholder of Sharp Concept Industrial Limited which held 60% ownership of Perfect Progress, purchased 10% of the equity interest of NFA Parts (the "Transferring Interests") from the original local shareholder of NFA Parts at RMB2,800,000. Pursuant to the share transfer agreement dated 4 December 2002, which became effective on 12 December 2002 according to the Certificate of Approval, Perfect Progress acquired the Transferring Interests from Mr. Hung Wei-Pi, John, in consideration of the allotment and issue of 40 shares of US$1.00 each in Perfect Progress to Sharp Concept Industrial Limited. The difference of RMB6,312,000 between the nominal value of the shares of Perfect Progress and the Transferring Interests' share of the fair value of NFA Parts on acquisition pursuant to the reorganisation is accounted for as reorganisation reserve of the Group;

(iv) on 13 February 2005, an aggregate of 90 shares were allotted and issued by the Company in exchange for the 100% of share interest in Perfect Progress. The difference of RMB4,000 between the nominal value of the shares issued by the Company and Transferring Interest's share of the fair value of Perfect Progress pursuant to the reorganisation is accounted for as reorganisation reserve of the Group; and

(v) on 13 February 2005, the directors of the Company were authorised to capitalise HK$29,999,990 towards paying up in full at par 299,999,900 shares for allotment.

(d) *Enterprise expansion fund*

In accordance with the Company Law of the PRC and the articles of association of a subsidiary, a subsidiary shall appropriate 5% of its annual statutory net profit (after offsetting any prior years' losses) to enterprise expansion fund.

(e) Others comprises of share options reserve and property revaluation reserve. In the prior year, the balance also comprise consideration payables to be settled by issue of fixed number of the Company's shares.

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy in Note 4(r).

The property revaluation reserve represents the gains/losses arising on the revaluation of property (other than investment property). The balance on this reserve is wholly undistributable.

(f) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(p).

(g) *Convertible bonds reserve*

The balance represents the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(k)(iii).

(ii) Reserves of the Company

	Notes	Share premium RMB'000	Contributed surplus RMB'000	Convertible bonds reserve RMB'000	Others RMB'000	Accu-mulated losses RMB'000	Total RMB'000
At 1 January 2011		223,155	84,242	–	50,707	(46,758)	311,346
Loss and total comprehensive income for the year		–	–	–	–	(22,506)	(22,506)
Recognition of equity-settled share-based payments	38	–	–	–	250	–	250
Issue of convertible bonds	29	–	–	110,427	–	–	110,427
Consideration issues	33	73,776	–	–	(49,800)	–	23,976
Repurchases and cancellation of shares	31(i)	(10,460)	–	–	557	(557)	(10,460)
At 31 December 2011 and 1 January 2012		286,471	84,242	110,427	1,714	(69,821)	413,033
Loss and total comprehensive income for the year		–	–	–	–	(180,604)	(180,604)
Recognition of equity-settled share-based payments	38	–	–	–	150	–	150
Consideration issues	33	14,933	–	–	–	–	14,933
Repurchases and cancellation of shares	31(i)	(5,212)	–	–	291	(291)	(5,212)
At 31 December 2012		296,192	84,242	110,427	2,155	(250,716)	242,300

33. BUSINESS COMBINATIONS

In January 2012, the Group acquired 100% equity interests in two subsidiaries located in Shandong (collectively "Shandong AYH"), companies established in the PRC, for a total consideration of approximately RMB2,335,000 in cash which was paid in full. Shandong AYH are engaged in the automobile repair, maintenance and restyling services; sales of automobile products.

In October 2012, the Group acquired 51% equity interest in Changchun Guangda Automobile Trading Co., Limited ("Changchun Guangda"), a company established in the PRC, for a total estimated nominal consideration of approximately RMB198,900,000 (subject to adjustment) which is payable as to RMB179,010,000 by cash and as to RMB19,890,000 by issue of consideration shares of the Company. Changchun Guangda is engaged in the provision of comprehensive auto after-sales services and trading of automobile related products in Changchun, Jilin Province, the PRC. Please refer to the circular of the Company dated 24 September 2012 for further details.

In November 2012, the Group acquired 97.5% equity interest in IPO Automotive Cooperation Limited ("IPO Automotive"), a company established in the Taiwan, for a total estimated nominal consideration of approximately NTD210,000,000 (or equivalent to approximately RMB45,444,000) (subject to adjustment) which is payable as to NTD178,500,000 (or equivalent to approximately RMB38,627,000) by cash and as to NTD31,500,000 (or equivalent to approximately RMB6,817,000) by issue of consideration shares of the Company. IPO Automotive is engaged in the provision of professional car-wash & detailing business in Taiwan.

The Group elected to measure the non-controlling interests in Changchun Guangda and IPO Automotive at the non-controlling interests' proportionate share of fair values of Changchun Guangda's and IPO Automotive's identifiable net assets, respectively.

The fair values of identifiable assets and liabilities of the acquirees as at the respective dates of acquisitions were as follow:

		Changchun Guangda		IPO Automotive		Shandong AYH	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	*16*	11,868	11,868	1,279	1,279	6,238	6,238
Leasehold land and land use rights	*17*	17,023	17,023	–	–	–	–
Other intangible assets	*20*	–	43,194	–	4,924	–	–
Inventories		13,841	13,841	5,375	5,635	5,498	5,498
Tax recoverable		941	941	–	–	–	–
Trade receivables		5,532	5,532	1,500	1,500	8	8
Prepayments and other receivables		5,893	5,893	1,270	1,270	2,596	2,596
Cash and cash equivalents		15,695	15,695	1,954	1,954	916	916
Trade payables		(10,822)	(10,822)	(512)	(512)	(6,757)	(6,757)
Accruals and other payables		(13,461)	(13,461)	(1,880)	(1,880)	(1,300)	(1,300)
Tax payable		–	–	(330)	(330)	–	–
Amounts due to non-controlling owners		–	–	–	–	(6,000)	(6,000)
Amounts due to the Group		–	–	–	–	(9,081)	(9,081)
Deferred tax liabilities recognised upon fair value adjustments	*30*	–	(10,798)	–	(881)	–	–
			78,906		12,959		(7,882)
Less: Non-controlling interests			(38,664)		(324)		–
Total identifiable net assets/(liabilities) at fair value			40,242		12,635		(7,882)
Goodwill on acquisition	*19*		142,804		27,878		10,217
Total consideration			183,046		40,513		2,335
Cash paid during the year			86,190		15,581		835
Prepayment made in prior year			–		–		1,500
Shares of the Company issued *(Note (a))*			16,411		–		–
Consideration payable by cash *(Note (b))*			80,445		19,101		–
Consideration payable by shares *(Note (c))*			–		5,831		–
Total consideration			183,046		40,513		2,335

Notes:

(a) The balances represent fair values of considerations settled by the issue of fixed number of the Company's approximately 18,226,000 ordinary shares for the acquisition of Changchun Guangda, with nominal value of RMB19,890,000 in accordance with the equity transfer agreement. The fair value of the consideration shares of RMB16,411,000 for the acquisition of Changchun Guangda was determined with reference to the market share price of the Company's shares as at the date of the acquisition and was credited to the equity of the Company and the Group. Approximately 18,226,000 consideration shares have been allotted and issued during the current year (Note 31). Such shares rank pari passu with the existing issued shares.

(b) The balances are consideration payables to be settled in cash which included contingent considerations subject to the achievement of respective target earnings of Changchun Guangda and IPO Automotive and other conditions. Included in the amounts are aggregate consideration payables with carrying values of RMB74,789,000 as at 31 December 2012 which are repayable beyond one year after the end of the reporting period and therefore are classified under non-current liabilities of the Group as at 31 December 2012.

(c) The balances are consideration payables to be settled in shares which included contingent considerations subject to the achievement of respective target earnings of IPO Automotive. The number of shares to be issued has yet to be fixed as at the end of the reporting period and therefore is recognised as liabilities of the Group. Included in the amounts are aggregate consideration payables with carrying values of RMB3,557,000 as at 31 December 2012 which are repayable beyond one year after the end of the reporting period and therefore are classified under non-current liabilities of the Group as at 31 December 2012.

The directors consider that the acquisitions are synergistic to the Group's overall auto after-sales services and retail business. The directors considered that the acquisition of Shandong AYH can extend operations in the Jinan region and strengthen the Group's leading position in Shandong Province and expected that the acquisition of Changchun Guangda to strengthen the Group's leading position and sales in the auto after-sale services market in the PRC.

The directors consider that the acquisition of IPO Automotive would allow the Group to gain expertise in the high-margin professional car wash and detailing business in Taiwan in the near future.

The fair values of trade receivables of Changchun Guangda, IPO Automotive and Shandong AYH as at the respective dates of acquisitions amounted to RMB5,532,000, RMB1,500,000 and RMB8,000, respectively. The gross contractual values of trade receivables of Changchun Guangda, IPO Automotive and Shandong AYH were RMB5,532,000, RMB1,500,000 and RMB8,000, respectively, of which no trade receivables are expected to be uncollectible.

Since the acquisitions in 2012, Changchun Guangda, IPO Automotive and Shandong AYH contributed RMB23,942,000, RMB2,123,000 and RMB42,612,000 to the Group's turnover and the profit of RMB5,448,000, profit of RMB1,101,000 and loss of RMB3,356,000 to the Group's results for the current year, respectively. Had the acquisitions taken place at the beginning of the current year, the turnover and the loss of the Group for the year ended 31 December 2012 would have been RMB1,465,631,000 and RMB356,293,000, respectively.

As part of the acquisition agreements, the acquisition considerations of equity interests in Changchun Guangda and IPO Automotive are subject to adjustments by amounts equal to the difference between the respective initial considerations and the actual prices.

(i) For acquisition of Changchun Guangda, actual price is determined in accordance with actual net profit of Changchun Guangda attributable to the Group for the twelve calendar months after the date of acquisition with adjusted price/earnings ratios of effective 8 to 15 times depending on the level of actual net profit and the number of new branches. The final consideration of the acquisition is capped at RMB198,900,000. At 31 December 2012 and the date of approval of these financial statements, no significant change to the consideration is expected.

(ii) For acquisition of IPO Automotive, actual price is determined in accordance with the difference between actual net profit of IPO Automotive attributable to the Group for the approximately fifteen calendar months after the date of acquisition less an amount of approximately RMB2,104,000, with a ratio of 3.5 times. The final consideration of the acquisition is capped at NTD210,000,000 (or equivalent to approximately RMB45,444,000).

At 31 December 2012 and the date of approval of these financial statements, no significant change to the consideration is expected.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Changchun Guangda	**IPO Automotive**	**Shandong AYH**
	RMB'000	*RMB'000*	*RMB'000*
Purchase considerations settled in cash in the current year	86,190	15,581	835
Cash and cash equivalents in the subsidiaries acquired	(15,695)	(1,954)	(916)
Net cash outflow/(inflow) on acquisitions	70,495	13,627	(81)

The above goodwill, which was not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired businesses with the existing operations of the Group.

The acquisition-related costs of RMB1,652,000 had been expensed for the acquisition of Changchun Guangda, IPO Automotive and Shandong AYH and were included in administrative expenses.

In July 2011, the Group acquired 51% equity interest in Shanghai Astrace Trade Development Co., Limited ("Shanghai Astrace"), a company established in Shanghai, the PRC, for a total nominal consideration of approximately RMB64,260,000 which is payable as to RMB36,757,000 by cash and as to RMB27,503,000 by issue of consideration shares of the Company. Shanghai Astrace is engaged in the trading of automobile products mainly including glass window tinting and paint filming ("Filming") in Shanghai, the PRC.

In September 2011, the Group acquired 51% equity interest in Hubei Autoboom Auto Accessories Supermarket Co., Ltd. ("Hubei Autoboom"), a company established in Hubei Province, the PRC, for a total consideration of approximately RMB87,258,000 in cash. Hubei Autoboom is engaged in trading of automobile products in Hubei Province, the PRC.

In the prior year, the Group elected to measure the non-controlling interests in Shanghai Astrace and Hubei Autoboom at the non-controlling interests' proportionate share of fair values of Shanghai Astrace's and Hubei Autoboom's identifiable net assets, respectively.

The fair values of identifiable assets and liabilities of the acquirees as at the respective dates of acquisitions were as follow:

		Shanghai Astrace		Hubei Autoboom	
		Carrying value	Fair value	Carrying value	Fair value
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	*16*	2,255	2,255	1,571	1,571
Other intangible assets	*20*	18	50,972	–	30,460
Inventories		12,622	12,622	18,139	18,139
Trade receivables		2,825	2,825	13,358	13,358
Other receivables		1,913	1,913	4,965	4,965
Cash and cash equivalents		7,177	7,177	4,618	4,618
Trade payables		(1,044)	(1,044)	(9,553)	(9,553)
Accruals and other payables		(9,881)	(9,881)	(4,087)	(4,087)
Tax payable		(117)	(117)	(484)	(484)
Amounts due to non-controlling owners		–	–	(4,750)	(4,750)
Bank borrowings		–	–	(2,200)	(2,200)
Deferred tax liabilities recognised upon fair value adjustments	*30*	–	(12,739)	–	(7,615)
			53,983		44,422
Less: Non-controlling interests			(26,467)		(21,767)
Total identifiable net assets at fair value			27,516		22,655
Goodwill on acquisition	*19*		36,713		64,603
Total consideration			64,229		87,258
Cash paid during the year			31,506		8,726
Shares of the Company issued *(Note (a))*			27,472		–
Consideration payable by cash *(Note (b))*			5,251		78,532
Total consideration			64,229		87,258

Notes:

(a) The balances represented fair values of considerations settled by the issue of fixed number of the Company's approximately 13,789,000 ordinary shares for the acquisition of Shanghai Astrace, with nominal value of RMB27,503,000 in accordance with the acquisition agreement. The fair value of the consideration shares of RMB27,472,000 for acquisition of Shanghai Astrace was determined with reference to the market share price of the Company's shares as at the date of the acquisition and was credited to the equity of the Company and the Group. Approximately 13,789,000 consideration shares have been allotted and issued in the prior year. Such shares rank pari passu with the existing issued shares.

(b) The balances were consideration payables to be settled in cash which included contingent considerations subject to the achievement of respective target earnings of Shanghai Astrace and Hubei Autoboom. Included in the amounts are aggregate consideration payables with carrying value of RMB7,002,000 as at 31 December 2011 which was repayable beyond one year after the end of the reporting period and therefore were classified under non-current liabilities of the Group as at 31 December 2011.

The Group had no presence in the trading of Filming in Shanghai and the wholesale of automobile products in Hubei Province before the acquisitions of equity interests in Shanghai Astrace and Hubei Autoboom, respectively. Shanghai Astrace is engaged in the trading of Filming in PRC. Hubei Autoboom has been operating in the cities with well established network and reputation. It has been the Group's plan to explore the opportunity to diversify its trading products and to extend operations in the above regions and strengthen establishment in other major provinces in the Greater China Region. Given the vast differences in the level of economic development and consumer behaviours and preference in different cities in the Greater China Region, entry into such provinces through acquisitions of Shanghai Astrace and Hubei Autoboom, companies already operating there, would be the most efficient and effective way in terms of both time and costs.

The fair values of trade and other receivables of Shanghai Astrace and Hubei Autoboom amounted to RMB4,738,000 and RMB18,323,000, respectively. The gross contractual values of trade and other receivables were RMB4,738,000 and RMB18,323,000, respectively, of which no trade and other receivables are expected to be uncollectible.

Since the acquisitions in 2011, Shanghai Astrace and Hubei Autoboom contributed RMB34,217,000 and RMB28,067,000 to the Group's turnover and the profit of RMB7,664,000 and RMB4,596,000 to the Group's results for the prior year, respectively. Had the acquisitions taken place at the beginning of the prior year, the turnover and the profit of the Group for the year ended 31 December 2011 would have been RMB1,574,178,000 and RMB63,102,000, respectively.

As part of the acquisition agreements, the acquisition considerations of equity interests in Shanghai Astrace and Hubei Autoboom are subject to adjustments by amounts equal to the difference between the respective initial considerations and the actual prices. Actual price is determined in accordance with actual net profits of the acquired subsidiaries attributable to the Group for the twelve calendar months after the respective dates of acquisition agreements with price/earnings ratios of 9.0 to 9.5 times. If the respective actual price is greater than the respective initial consideration, the Group shall not pay the difference to the respective vendors. If the actual price is smaller than the respective initial consideration, the vendors shall pay the differences to the Group. At the date of approval of these financial statements, no significant change to the consideration is expected.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Shanghai Astrace	**Hubei Autoboom**
	RMB'000	*RMB'000*
Purchase considerations settled in cash in the prior year	31,506	8,726
Cash and cash equivalents in the subsidiaries acquired	(7,177)	(4,618)
Net cash outflow on acquisitions	24,329	4,108

The above goodwill, which was not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired businesses with the existing operations of the Group.

The acquisition-related costs of RMB480,000 had been expensed and were included in administrative expenses.

34. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged time deposits approximate their fair values.

The Group

	2012	**2011**
	RMB'000	*RMB'000*
Cash and cash equivalents were denominated in:		
RMB	91,203	156,411
US$	12,804	150,205
HK$	2,175	3,614
NTD	27,544	16,576
Others	–	34
	133,726	326,840

	2012	**2011**
	RMB'000	*RMB'000*
Pledged time deposits were denominated in:		
RMB	5,180	1,282
US$	1,889	1,260
NTD	1,519	1,045
	8,588	3,587

The Company

As at 31 December 2011 and 2012, most of the cash and cash equivalents and pledged time deposits of the Company were denominated in NTD and US$.

35. MAJOR NON-CASH TRANSACTIONS

During the year, prepayment for proposed acquisition of subsidiaries in the amount of RMB1,500,000 was utilised as part of the acquisition consideration upon completion of the acquisition.

During the year, prepayments for acquisition of land use right and property, plant and equipment of RMB14,108,000 were utilised as part of the acquisition consideration upon completion of the acquisitions, out of which RMB8,800,000 and RMB5,308,000 were transferred to leasehold land and land use rights, and property, plant and equipment, respectively.

In the prior year, partial considerations for acquisition of subsidiaries in the aggregate amount of RMB83,783,000 had not been settled by the Group and was included in the Group's accruals and other payables and consideration payables as at 31 December 2011, and partial considerations of RMB27,472,000 was settled by issue of consideration shares in the prior year.

36. COMMITMENTS

Capital commitments outstanding at the end of reporting period not provided for in the financial statements were as follows:

	The Group	
	2012	**2011**
	RMB'000	*RMB'000*
Capital commitments		
Construction of buildings, contracted but not provided for	41,545	41,900
Purchase of other items of properties, plant and equipment	3,093	3,155
	44,638	45,055
Other commitment		
Acquisition of subsidiaries	2,000	4,500

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	The Group	
	2012	**2011**
	RMB'000	*RMB'000*
Minimum lease payments under operating leases recognised as an expense in the year	49,674	43,383

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2012	**2011**
	RMB'000	*RMB'000*
Within one year	54,643	42,504
After one year but within five years	140,605	104,170
After five years	71,738	34,687
	266,986	181,361

The Group as lessor

As at 31 December 2011 and 2012, the Group leased out its investment properties under operating leases.

At the end of reporting period, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2012	2011
	RMB'000	*RMB'000*
Within one year	3,893	5,193
After one year but within five years	7,774	9,263
After five years	4,972	6,065
	16,639	20,521

38. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to employees and other parties who contribute to the success of the Group's operations.

On 28 February 2005, the Company granted share options of 23,780,000 to its employees. The exercise price of the granted options is equal to the closing price of the shares on the date of grant. There are 10 vesting periods ending on consecutive years from 31 December 2006 to 31 December 2014 and the period ending 12 February 2015. The options are exercisable starting from 1 January 2006 to 12 February 2015 subject to accomplishing performance targets or conditions, as determined by the board of directors of the Company.

The Group amortises the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of RMB150,000 was charged as an equity-settled share-based payment (2011: RMB250,000) to profit or loss for the year.

The number of the share options as at 1 January 2011, 31 December 2011 and 31 December 2012 is 10,040,000.

At the end of reporting period and the date of approval of these financial statements, the Company had 10,040,000 (2011: 10,040,000) share options outstanding under the Scheme, which represented 1.7% (2011: 1.7%) of the Company's shares in issue as at 31 December 2012. Of the total number of options outstanding at the end of the reporting period, 6,920,000 (2011: 6,240,000) were exercisable at the end of the reporting period. The exercise in full of the remaining outstanding exercisable and unexercisable share options would, under the present capital structure of the Company, result in the issue of 10,040,000(2011: 10,040,000) additional ordinary shares of the Company and additional share capital of RMB850,000 (2011: RMB850,000) and share premium of RMB7,142,000 (2011: RMB7,142,000) (before issue expenses and transfer from share options reserve).

Share options outstanding as at 31 December 2011 and 2012 have the following expiry dates and exercise prices:

2012

Expiry date	Exercise price HK$ per share	Share options granted to directors	granted to employees	Total
		'000	*'000*	*'000*
12 February 2015	0.94	10,040	–	10,040
Weighted average exercise price (HK$)		0.94	–	0.94

2011

Expiry date	Exercise price HK$ per share	Share options granted to directors	granted to employees	Total
		'000	*'000*	*'000*
12 February 2015	0.94	10,040	–	10,040
Weighted average exercise price (HK$)		0.94	–	0.94

39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in full and are not disclosed in this note. Except for disclosed elsewhere in the notes to financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year and in the ordinary course of business, the Group had the following material transactions with related companies which are not members of the Group:

		2012	2011
		RMB'000	*RMB'000*
(i)	Sale of goods to Custom Accessories	5,153	6,390
(ii)	Sale of goods to Custom Accessories Europe	1,370	776
(iii)	Sale of goods to XTC Business Management	9,524	9,394

Sales of goods were made at the Group's usual list prices discounted to reflect the quantity of purchase and the relationships between the parties.

(b) As at 1 January 2012, Zhejiang Autoboom Industrial Co., Limited ("Zhejiang Autoboom") was a 51%-owned subsidiary of the Group. On 30 March 2012, the Group entered into an equity transfer agreement to acquire additional 12% equity interest in Zhejiang Autoboom from the non-controlling owners at a cash consideration of approximately RMB37,247,000. The Group paid first instalment of RMB14,898,800 for the acquisition. On 7 December 2012, the Group entered into a revocation agreement with the non-controlling owners to revoke the equity transfer agreement and the non-controlling owners fully refunded RMB14,898,800 to the Group accordingly. Zhejiang Autoboom remained as a 51%-owned subsidiary of the Group as at 31 December 2012.

(c) On 28 June 2012, the Group acquired additional 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd. ("Shenzhen Yonglonghang") from non-controlling owners of this subsidiary at a cash consideration of approximately RMB37,240,000, and thereafter Shenzhen Yonglonghang became a wholly-owned subsidiary of the Group.

(d) In the prior year, the Group acquired additional 9% equity interest in Aiyihang from non-controlling owner of this subsidiary (who is also the senior management of Aiyihang) at a cash consideration of approximately RMB22,634,000, and thereafter Aiyihang became a 60%-owned subsidiary of the Group.

(e) Members of key management during the year comprised only the executive directors and non-executive directors whose remuneration is set out in Note 10(a).

40. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of (i) debts, which includes the borrowings, Renminbi-denominated bonds and the CBs as disclosed in Notes 26, 28 and 29, respectively; (ii) cash and cash equivalents and pledged time deposits in Note 34; (iii) equity attributable to owners of the Company, comprising share capital disclosed in Note 31 and reserves as disclosed in consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debts.

The gearing ratio at end of the reporting period was as follows:

	2012	**2011**
	RMB'000	*RMB'000*
Debts	592,208	507,587
Cash and cash equivalents and pledged time deposits	(142,314)	(330,427)
Net debt position	449,894	177,160
Equity attributable to owners of the Company	284,356	617,653
Net debt to equity ratio	158.2%	28.7%

41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers and debtors as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 9% (2011: 21%) and 24% (2011: 45%) of the total gross trade receivables that were due from the Group's largest customer and the five largest customers respectively within the manufacture and sale of automobile accessories business segment.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 24.

(b) **Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

The Group

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012						
Bank borrowings, secured	262,955	270,749	255,618	1,826	5,477	7,828
Trade payables	241,484	241,484	241,484	–	–	–
Other payables	104,280	104,280	104,280	–	–	–
Renminbi-denominated bonds	199,372	207,500	207,500	–	–	–
Convertible bonds	129,881	154,879	–	–	154,879	–
Amount due to a related party	10,998	10,998	10,998	–	–	–
Amounts due to non-controlling owners of subsidiaries	14,704	14,704	14,704	–	–	–
Consideration payables	78,346	95,652	–	95,652	–	–
Total	1,042,020	1,100,246	834,584	97,478	160,356	7,828
2011						
Bank borrowings, secured	187,447	191,777	179,645	1,233	10,899	–
Trade payables	215,701	215,701	215,701	–	–	–
Other payables	174,992	174,992	174,992	–	–	–
Renminbi-denominated bonds	197,879	215,000	7,500	207,500	–	–
Convertible bonds	122,261	154,879	–	–	154,879	–
Amount due to a related party	1,000	1,000	1,000	–	–	–
Amounts due to non-controlling owners of subsidiaries	10,957	10,957	10,957	–	–	–
Consideration payables	7,002	7,002	–	7,002	–	–
Total	917,239	971,308	589,795	215,735	165,778	–

The Company

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012					
Bank borrowing, secured	3,143	3,172	3,172	–	–
Other payables and amounts due to subsidiaries	8,107	8,107	8,107	–	–
Renminbi-denominated bonds	199,372	207,500	207,500	–	–
Convertible bonds	129,881	154,879	–	–	154,879
	340,503	373,658	218,779	–	154,879
Financial guarantees issued Maximum amount guaranteed	–	–	87,922	–	–
2011					
Bank borrowing, secured	6,300	6,337	6,337	–	–
Other payables and amounts due to subsidiaries	5,991	5,991	5,991	–	–
Renminbi-denominated bonds	197,879	215,000	7,500	207,500	–
Convertible bonds	122,261	154,879	–	–	154,879
	332,431	382,207	19,828	207,500	154,879
Financial guarantees issued Maximum amount guaranteed	–	–	12,602	–	–

(c) Interest rate risk

The Group's fair value interest-rate risk mainly arises from Renminbi-denominated bonds and liability component of CBs as disclosed in Notes 28 and 29 respectively. Most of bank borrowings were issued at variable rates which expose the Group to cash flow interest rate risk.

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses as at 31 December 2012 by RMB1,971,000 (2011: decrease/increase profit and retained profits by RMB1,026,000). The Group has not used any financial instrument to hedge potential fluctuations in interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in Notes 26, 28 and 29.

The Company's fair value interest-rate risk mainly arises from Renminbi-denominated bonds and liability component of CBs as disclosed in Notes 28 and 29 respectively. The bank borrowing was issued at variable rates which expose the Company to cash flow interest rate risk.

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Company's loss for the year and accumulated losses as at 31 December 2012 by RMB26,000 (2011: RMB63,000). The Company has not used any financial instrument to hedge potential fluctuations in interest rate.

The interest rates and terms of repayment of the Company's borrowings are disclosed in Notes 26, 28 and 29.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US$.

The Group and Company are also exposed to foreign currency exchange risk arising from the cash and cash equivalents denominated in US$.

The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2012	**2011**
	US$'000	*US$'000*
Trade and other receivables	10,631	14,392
Cash and cash equivalents and pledged time deposits	2,338	23,839
Bank borrowings	(500)	(974)
Overall net exposure	12,469	37,257

The Company

	2012	**2011**
	US$'000	*US$'000*
Cash and cash equivalents and pledged time deposits	335	22,404
Bank borrowings	(500)	(974)
Overall net exposure	(165)	21,430

The following table indicates the approximate change in the Group's loss for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates a decrease in loss or an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity, and the balances below would be negative.

The Group	2012 Increase in foreign exchange rate	2012 Effect on loss for the year and accumulated losses	2012 Effect on other components of equity	2011 Increase in foreign exchange rate	2011 Effect on profit for the year and retained profits	2011 Effect on other components of equity
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
US$	5%	3,941	–	5%	11,738	–

The Company	2012 Increase in foreign exchange rate	2012 Effect on loss for the year and accumulated losses	2012 Effect on other components of equity	2011 Increase in foreign exchange rate	2011 Effect on profit for the year retained profits	2011 Effect on other components of equity
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
US$	5%	(52)	–	5%	7,057	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the end of the next reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' results for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2011.

(e) Fair values

All financial instruments of the Group and Company are carried at amounts not materially different from their fair values as at 31 December 2011 and 2012.

(f) Fair values estimation

Save as the contingent considerations payables as detailed in Notes 33 and 42, the following summarises the major methods and assumptions used in estimating the fair values of financial instruments of the Group set out in Notes 22, 26, 28 and 29.

(i) Trading securities

Fair values are based on quoted market prices at the end of reporting period without any deduction for transaction costs.

(ii) Interest-bearing bank borrowings, Renminbi-denominated bonds and liability component of CBs

The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts and fair values of the Group's financial assets and financial liabilities as recognised at 31 December 2011 and 2012 may be categorised as follows:

	2012		**2011**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Trading securities, at fair value	243	243	243	243
Loans and receivables (including cash and cash equivalents and pledged time deposits), at amortised cost	418,619	417,333	670,139	670,139
Financial liabilities				
Contingent consideration payables, at fair value	105,377	105,377	83,783	83,783
Financial liabilities, at amortised cost	936,643	936,643	847,677	847,677

(a) The fair values of financial assets and liabilities are determined as follows:

– The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

– The fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments and forecast on the financial performance and other measures of the acquirees under the contingent consideration arrangements as further detailed in Note 33. The directors are of the opinion that there are no reasonably possible alternative assumptions to the inputs in the fair value measurement.

At 31 December 2012, it is estimated that a decrease of 15% in forecasted net profits of the acquirees under the contingent consideration arrangements, with all other variables held constant, would decrease the fair value of contingent consideration payables as at 31 December 2012 by approximately RMB83,927,000 (2011: RMB22,728,000). The increase in forecast net profits of the acquirees would have no significant impact on the fair value of contingent consideration payables as at 31 December 2011 and 2012. The 15% fluctuation represents directors' assessment of a reasonably possible alternative assumption in the forecasted net profits of the acquirees under the contingent consideration arrangements as at the end of reporting periods.

(b) The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Group		
		2012		
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contingent consideration payables	–	–	105,377	105,377
Trading securities, listed	243	–	–	243

		2011		
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contingent consideration payables	–	–	83,783	83,783
Trading securities, listed	243	–	–	243

Contingent consideration payables are included in accruals and other payables, and consideration payables as at the end of the reporting period.

The movement in fair value measurements in Level 3 during the year are as follows:

	2012	**2011**
	RMB'000	*RMB'000*
At 1 January	83,783	32,990
Total gain recognised in the profit or loss included in other revenue and gains and losses	(3,281)	–
Payments	(46,254)	–
Transfer to liabilities at amortised cost, upon contingent considerations confirmed	(34,248)	(32,990)
Contingent consideration payables arising from acquisitions during the year	105,377	83,783
Overall net exposure	105,377	83,783

There is no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during both years.

43. CONTINGENT LIABILITIES

At the end of reporting period, contingent liabilities not provided for in the financial statements were as follows:

The Company

	2012	**2011**
	RMB'000	*RMB'000*
Guarantees given to banks in connection with banking facilities granted to subsidiaries	87,922	12,602

The banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMBNil and RMB44,544,000 as at 31 December 2011 and 2012, respectively.

44. SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

(i) On 18 February 2013, the Group entered into a share purchase agreement with non-controlling owners of Richahaus to acquire additional 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. Please refer to the Company's announcement dated 18 February 2013 for further details.

(ii) On 18 February 2013, the Group entered into a supplemental agreement with the vendors of equity interest in 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. Please refer to the Company's announcement dated 18 February 2013 for further details.

3. FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

Results

	1.1.2012 to 31.12.2012	**1.1.2011 to 31.12.2011**	**1.1.2010 to 31.12.2010**	**1.1.2009 to 31.12.2009**	**1.1.2008 to 31.12.2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	1,397,885	1,493,140	1,076,842	642,349	707,426
(Loss)/profit before income tax expense	(373,877)	85,766	61,821	24,637	17,791
Income tax expense	16,017	(25,251)	(14,183)	(7,496)	(4,996)
(Loss)/profit for the year	(357,860)	60,515	47,638	17,141	12,795
Attributable to:					
Owners of the Company	(324,262)	28,127	34,129	11,533	10,922
Non-controlling interests	(33,598)	32,388	13,509	5,608	1,873
	(357,860)	60,515	47,638	17,141	12,795

Assets and Liabilities

	31.12.2012	**31.12.2011**	**31.12.2010**	**31.12.2009**	**31.12.2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,694,039	1,903,760	1,354,184	686,995	617,821
Total liabilities	(1,168,351)	(1,028,162)	(687,569)	(242,234)	(331,451)
Net assets	525,688	875,598	666,615	444,761	286,370

4. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had indebtedness as follows:

Borrowings

As at the close of business on 31 May 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had (i) outstanding interest-bearing bank and other borrowings of approximately RMB490.6 million, comprising secured bank borrowings of approximately RMB265.5 million, non-secured bank borrowings of approximately RMB25.1 million and Renminbi-denominated bonds of approximately RMB200.0 million; (ii) convertible bonds of approximately RMB242.0 million; and (iii) consideration payables of approximately RMB52.5 million to RMB120.8 million.

Pledge of assets

As at 31 May 2013, the borrowing facilities of the Group were secured by (i) the Group's freehold land and certain buildings with an aggregate net carrying value of approximately RMB79.9 million; (ii) the Group's leasehold land and land use rights of approximately RMB17.0 million; (iii) the Group's certain investment properties of approximately RMB40.4 million; (iv) personal guarantees from a director of the Company, and a director of a subsidiary and her spouse; (v) pledged time deposits of approximately RMB26.7 million; and (vi) corporate guarantees of the Company and two subsidiaries.

Among other undertakings in relation to the Group's convertible bonds, Mr Hung Wei-Pi, John, who is a director and a shareholder of the Company, irrevocably and unconditionally indemnifies, defends and holds harmless the investors of the Group's convertible bonds (and their successor or assign) from and against any and all losses, costs, and claims suffered by the investors or incurred by the investors that arise from any breach by Mr Hung Wei-Pi, John of the representations, warranties and undertakings contained in the deed of undertakings.

Commitments

As at the close of business on 31 May 2013, the Group had (i) capital commitments outstanding contracted not provided for in respect of construction of buildings in the amount of approximately RMB41.5 million, and purchases of other items of property, plant and equipment in the amount of approximately RMB0.6 million; and (ii) other commitment contracted but not provided for in respect of acquisition of subsidiaries in the amount of approximately RMB2 million.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, the Group did not have any other outstanding loans, mortgages, charges, debentures, loan capital and bank overdrafts or other similar indebtedness, financial leases or hire purchase commitment, liabilities under acceptances (other than normal trade and other payables), or acceptance credits, or any guarantees or other material contingent liabilities at the close of business on 31 May 2013.

The Directors confirmed that for the period from 31 May 2013 up to the Latest Practicable Date, there is no material change in the Group's indebtedness and contingent liabilities.

5. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 December 2012, the date to which the latest audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular are accurate and complete and not misleading or deceptive, opinions expressed in this circular have been arrived at after due and careful consideration, and there are no other facts or matters not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Investor jointly and severally accept full responsibility for the accuracy of the information contained in this circular relating to the Investor, CDH Management, their associates and parties acting in concert with them (the "**Investor Related Information**"), and confirm, having made all reasonable enquiries, that to the best of their knowledge, the Investor Related Information contained in this circular are accurate and complete and not misleading or deceptive, opinions expressed by the Investor, CDH Management, their associates and parties acting in concert with them in this circular have been arrived at after due and careful consideration, and there are no other facts or matters not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Authorized		*HK$*
2,000,000,000	Shares of HK$0.10 each (as of the Latest Practicable Date)	200,000,000
6,000,000,000	Shares of HK$0.10 each (immediately upon the Share Capital Increase)	600,000,000
Issued and to be issued, fully paid or credited as fully paid		
624,422,066	Shares in issue as at the Latest Practicable Date	62,442,207
51,866,667	Management Subscription Shares to be allotted and issued	5,186,667
1,008,806,667	Placing Shares to be allotted and issued	100,880,667
1,262,564,333	Investor Subscription Shares to be allotted and issued	126,256,433
1,627,015,893	Conversion Shares to be allotted and issued	162,701,589
508,297,292	Shares to be allotted and issued upon full exercise of the Management Options	50,829,729
5,082,972,918	Total	508,297,292

All the Shares in issue rank pari passu in all respects, including the rights in particular as to dividend, voting rights and return on capital. The Shares in issue are listed on the Stock Exchange.

The Company has issued 33,119,120 Shares since 31 December 2012, the date to which the latest audited financial statements of the Group were made up.

As at the Latest Practicable Date, options had been granted by the Company under the Share Option Scheme which, if exercised in full, would entitle the grantees to subscribe for, in aggregate, 3,400,000 Shares, and the total number of Shares available for issue under the Share Option Scheme (excluding share options already granted) is 30,645,000 Shares.

Pursuant to the terms of the Existing Convertible Bonds, the Company is required to issue 106,909,232 Shares upon full conversion of the conversion rights attached to the Existing Convertible Bonds. Upon the Existing Convertible Bonds Redemption, the Company will not be required to issue any Shares pursuant to the STIC Amendment Deed.

Pursuant to the terms of the share purchase agreement entered into between Taiwan New Focus Car Services Co., Ltd as the purchaser and Ai Feng Investment Company Limited, Mr. Zeng Xin He and Ms. Yu Shu Mei as the vendors in respect of the acquisition of IPO Automotive Corporation Limited ("**IPO Automotive**"), the Company would be required to issue Shares equivalent to NTD21,000,000 at the average closing price of the Shares on the Stock Exchange for the 30 trading days before and including the day on which the financial report of IPO Automotive for the year ended 31 December 2013 would be issued.

As at the Latest Practicable Date, save as disclosed above, there are no other options, warrants, conversion rights or other similar rights which are convertible or exchangeable into the Shares.

3. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

(a) Interest in shares of the Company

Name	**Capacity/Nature of interest**	**Number of Shares interested (other than under equity derivatives)** *(Note 1)*	**Percentage of issued Shares**
Mr. Hung Wei-Pi, John	Interest in a controlled company *(Note 2)*	169,506,120 (L)	27.15%
Mr. Douglas Charles Stuart Fresco	Interest in a controlled company *(Note 3)*	53,590,690 (L)	8.58%
	Personal *(Note3)*	3,665,115 (L)	0.59%
Ms. Hung Ying-Lien	Personal	383,145 (L)	0.06%
Mr. Edward B. Matthew	Personal	21,922,350 (L)	3.51%
Mr. Raymond N. Chang	Family interest *(Note 4)*	7,900,000 (L)	1.27%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. These Shares are registered in the name of and beneficially owned by Sharp Concept Industrial Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Hung Wei-Pi, John. Under the SFO, Mr. Hung Wei-Pi, John is deemed to be interested in all the Shares held by Sharp Concept Industrial Limited.

3. 53,590,690 Shares are registered in the name of and beneficially owned by Golden Century Industrial Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Douglas Charles Stuart Fresco. Under the SFO, Mr. Douglas Charles Stuart Fresco is deemed to be interested in all the Shares held by Golden Century Industrial Limited. The remaining 3,665,115 Shares are registered in the name of Mr. Douglas Charles Stuart Fresco.

4. 150,000 Taiwan Depository Receipts, representing 150,000 Shares, are registered in the name of Ms. Wang Chin-Wei, spouse of Mr. Raymond N. Chang. 7,750,000 Shares are registered in the name of and beneficially owned by Full Chance Finance Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Ms. Wang Chin-Wei. Under the SFO, Mr. Raymond N. Chang is deemed to be interested in all the Shares held by Ms. Wang Chin-Wei and Full Chance Finance Limited.

(b) Interests in the underlying shares of the Company through equity derivatives

Certain Directors were granted share options under the share option scheme of the Company dated 13 February 2005. Share options granted to the Directors to subscribe for shares of the Company which were outstanding as at the Latest Practicable Date were as follows:

Name	Nature of interest	Number of underlying shares in respect of options granted *(Note)*	Exercise period	Price for grant	Exercise price	Percentage of issued share capital of the Company *(%)*
Ms. Hung Ying-Lien	Beneficial owner	3,400,000 (L)	1 January 2005 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per Share)	0.54%

Note: The letter "L" denotes a long position in underlying Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest, direct or indirect, in any asset which have been since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date and save as disclosed in this circular, none of the Directors and chief executives of the Company was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

4. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, were as follows:

Name	Capacity/ Nature of interest	Number of Shares interested (other than under equity derivatives) *(Note 1)*	Number of Shares interested under equity derivatives *(Note 1)*	Total number of Shares interested *(Note 1)*	Percentage of issued Shares *(%)*
Sharp Concept Industrial Limited	Beneficial owner	169,506,120 (L)	Nil	169,506,120	27.15%
Ms. Jin Xiao-Yan	Family interest *(Note 2)*	169,506,120 (L)	Nil	169,506,120	27.15%
Golden Century Industrial Limited	Beneficial owner *(Note 3)*	53,590,690 (L)	Nil	53,590,690	8.58%
STIC Korea Integrated–Technologies New Growth Engine Private Equity Fund	Beneficial owner	Nil	78,923,254 (L) *(Note 4)*	78,923,254	12.64%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Sharp Concept Industrial Limited is wholly and beneficially owned by Mr. Hung Wei-Pi, John. Ms. Jin Xiao-Yan is the wife of Mr. Hung Wei-Pi, John. Under the SFO, Ms. Jin is deemed to be interested in all the Shares held by Mr. Hung Wei-Pi, John and Sharp Concept Industrial Limited. Mr. Hung Wei-Pi, an executive Director and the chairman of the Company, is a director of Sharp Concept Industrial Limited.

3. Golden Century Industrial Limited is wholly and beneficially owned by Mr. Douglas Charles Stuart Fresco. Mr. Douglas Charles Stuart Fresco, an executive Director, is a director of Golden Century Industrial Limited.

4. These represent the underlying Shares issuable upon the conversion of the convertible bonds issued to STIC Korea Integrated — Technologies New Growth Engine Private Equity Fund by the Company on 5 December 2011. Mr. Chang An-Li, a non-executive Director, is the managing director and the head of Greater China Team of STIC Investments, Inc., the General Member of STIC Korea Integrated-Technologies New Growth Engine Private Equity Fund.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and senior management had any interest or position in the substantial shareholders of the Company.

Save as disclosed above, so far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, no other person (other than the Directors and chief executives of the Company), had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or, who was, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. SHAREHOLDINGS AND DEALINGS IN SHARES

As at the Latest Practicable Date:

(a) none of the Investor, its directors, CDH Management and parties acting in concert with any of them was interested in Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of the Shares;

(b) no Independent Shareholders have made an irrevocable commitment to vote in favour of or against the Investment Agreement, the Whitewash Waiver and/or the Special Deals;

(c) none of the Investor, its directors, CDH Management and parties acting in concert with any of them has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise);

(d) none of the Investor, its directors, CDH Management and parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(e) neither the Company nor the Directors have any interest in shares or convertible securities, warrants or options (or outstanding derivatives) in respect of the shares of the Investor;

(f) save as disclosed in section 3 of this appendix, none of the Directors have any interest in Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of the Shares;

(g) no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company was owned or controlled by any subsidiary of the Company or by a pension fund of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code but excluding exempt principal traders;

(h) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code;

(i) no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

(j) the Directors (excluding Mr. Hung, Mr. Chang and Ms. Hung who shall abstain from voting) have indicated their intention, in respect of their own beneficial shareholdings, if any, to vote for the Investment Agreement, the Whitewash Waiver and the Special Deals; and

(k) neither the Company nor the Directors have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

During the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date:

(a) none of the Investor, its directors and parties acting in concert with any of them has dealt for value in any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of the Shares;

(b) none of the Directors has dealt for value in any Shares or convertible securities, warrants or options (or outstanding derivatives); and

(c) none of the Directors or the Company has dealt for value in any shares or convertible securities, warrants, options or derivatives (including derivatives that have been closed out or settled during such period) of any shares of the Investor.

6. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the period commencing the six months immediately preceding 26 June 2013, being the date of the Announcement and ending on the Latest Practicable Date (the "**Relevant Period**"), (ii) on the last trading day immediately before the publication of the Announcement (the "**Last Trading Day**"), and (iii) on the Latest Practicable Date were as follows:

Date	**Closing price per Share** *(HK$)*
31 December 2012	0.98
31 January 2013	0.95
28 February 2013	0.85
28 March 2013	0.66
30 April 2013	0.70
31 May 2013	0.53
25 June 2013 (Last Trading Day)	0.51
28 June 2013	0.51
15 July 2013 (Latest Practicable Date)	0.475

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$1.00 per Share on 23 January 2013, and HK$0.475 per Share on 12 July 2013 and the Latest Practicable Date, respectively.

7. COMPETING INTERESTS

Each of the Directors has confirmed that he and his associates do not have any interests in a business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which (including both continuous or fixed term contracts) has been entered into or amended within six months prior to 26 June 2013, being the date of the Announcement.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

10. QUALIFICATION OF EXPERTS AND CONSENTS

The following are the qualification of the experts who have given opinions or advice which are contained in this Circular:

Name	Qualifications
Anglo Chinese Corporate Finance, Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities for the purpose of the SFO

Anglo Chinese Corporate Finance, Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Anglo Chinese Corporate Finance, Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Anglo Chinese Corporate Finance, Limited does not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up.

11. MATERIAL CONTRACTS

The following contracts (not being contract in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and are or may be material:

(a) the Investment Agreement;

(b) the Placing Agreement;

(c) the Management Subscription Agreement;

(d) the STIC Amendment Deed;

(e) the supplemental agreement dated 18 February 2013 entered into among the Company, as purchaser, and Mr. Chen Bing Yu (陳炳煜), Ms. Li Zhen Fei (李貞斐) and Mr. Li Zheng Guo (李正國), as vendors, in respect of the amendment of the terms of the equity transfer agreement dated 23 September 2011 as described in (p) below;

(f) the revocation agreement dated 7 December 2012 in respect of the termination of the equity transfer agreement dated 30 March 2012 as described in (k) below;

(g) the revocation agreement dated 7 December 2012 in respect of the termination of the equity transfer agreement and the equity right transfer agreement both dated 30 March 2012 as described in (l) and (m) below, respectively;

(h) the share purchase agreement dated 15 November 2012 entered into among Taiwan New Focus Car Services Co., Ltd (台灣新焦點汽車服務股份有限公司) (a wholly owned subsidiary of the Company), as purchaser, Ai Feng Investment Company Limited (艾豐投資股份有限公司), Mr. Zeng Xin He (曾新和) and Ms. Yu Shu Mei (余淑美), as vendors and individual guarantors, in respect of the acquisition of 100% of the total issued share capital of IPO Automotive Corporation Limited (艾普汽車股份有限公司) at an aggregate consideration of NTD210,000,000 (subject to adjustment);

(i) the equity transfer agreement dated 17 July 2012 entered into among the Company, as purchaser, Ms. Gao Xiu Min, as vendor, and Mr. Wu Yan De, Ms Zhao Bin Xu, Ms Wu Zi Han and Mr Wu Yan Hai, as guarantors, in respect of the acquisition of 51% of the issued share capital of Changchun Guangda Automobile Trading Co., Ltd. (長春市廣達汽車貿易有限公司) at a consideration of RMB132,600,000 (subject to adjustment);

(j) the equity transfer agreement dated 28 June 2012 entered into among the Company, as purchaser, Shenzhen Chongdehang Investment Development Co., Ltd. (深圳市崇德行投資發展有限公司) and Shenzhen Guanzhida Investment Co., Ltd (深圳市冠智達投資有限公司), as vendors, and Mr. Yang Yong Chong (楊永崇) and Ms. Li Shao Na (李少娜), as guarantors, in respect of the acquisition of 49% equity interest in Shenzhen Yanglonghang Auto Service Ltd. (深圳市永隆行汽車服務有限公司) at a cash consideration of RMB37,240,000;

(k) the equity transfer agreement dated 30 March 2012 entered into between the Company, as purchaser, and Mr. Lin Yun Ling (林雲玲), Mr. Chen Gao Sen (陳高森) and Mr. Chen Xian Ping (陳先平) and Mr. Chen Jin Guo (陳金國) (collectively the "Autoboom Vendors") in respect of the acquisition of 12% equity interest in Zhejiang Autoboom Industrial Co., Ltd. (浙江歐特隆實業有限公司) ("Zhejiang Autoboom"), a 51%-owned subsidiary of the Company, at a cash consideration of RMB37,247,000 (subject to adjustment);

(l) the equity transfer agreement dated 30 March 2012 entered into among Perfect Progress Investments Limited (a wholly owned subsidiary of the Company), as purchaser, Mr. Deng Jiang Rong (鄧江榮), as vendor, and Spread Master (Zhejiang) Automation Technology Co., Ltd. (速飛德(浙江)自動化科技有限公司), as guarantor in respect of the acquisition of 100% equity interest in Mighty International Limited (雄偉國際有限公司) ("Mighty International") at a cash consideration of RMB80,000,000;

(m) the equity right transfer agreement dated 30 March 2012 entered into among Perfect Progress Investments Limited (a wholly owned subsidiary of the Company), Mr. Deng Jiang Rong (鄧江榮) and Spread Master (Zhejiang) Automation Technology Co., Ltd. (速飛德(浙江)自動化科技有限公司) in respect of the equity transfer agreement dated 30 March 2012 as described in (l) above and the arrangement of certain assets and affairs of Shanghai Ou Xi Ma Apparel Company Limited (上海歐西瑪服裝設備有限公司);

(n) the subscription agreement dated 17 November 2011 entered into between the Company, as issuer, and STIC Secondary Fund II, L.P. and STIC Korea Integrated-Technologies New Growth Engine Private Equity Fund (collectively the "Investors") in respect of the issue of US$38,201,001 convertible bonds with zero coupon rate, a conversion price of HK$2.781 (subject to adjustment) and a maturity date of 4 December 2015 by the Company to the Investors;

(o) the equity transfer agreement dated 23 September 2011 entered into among the Company, as purchaser, and Beijing Yuyang Shiji Trading Co., Ltd. (北京宇陽世紀貿易有限公司), as vendor, and Mr. Xing Aiyi (邢愛義), as guarantor, in relation to the acquisition of 9% equity interest in Beijing Aiyihang Auto Service Ltd. (北京愛義行汽車服務有限責任公司), a 51%-owned subsidiary of the Company, at a cash consideration of RMB22,633,575;

(p) the equity transfer agreement dated 23 September 2011 entered into between the Company, as purchaser, and Mr. Chen Bing Yu (陳炳煜), Ms. Li Zhen Fei (李貞斐) and Mr. Li Zheng Guo (李正國), as vendors, in respect of 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) at a cash consideration of RMB87,258,450 (subject to adjustment);

(q) the fiscal agency agreement dated 17 August 2011 entered into between the Company and SinoPac Securities (Asia) Limited in respect of the RMB200 million bonds at 3.75% per annum due 2013 issued by the Company under a subscription agreement dated 12 August 2011 as described under (r) below; and

(r) the subscription agreement dated 12 August 2011 entered into between the Company and SinoPac Securities (Asia) Limited in respect of the issue of RMB200 million bonds at 3.75% per annum due on 17 August 2013 by the Company.

12. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Liu Xiao Hua. Mr. Liu obtained a master's degree in law from East China University of Political Science and Law and is qualified as a lawyer in the PRC. Mr. Liu is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands and the principal place of business of the Company in Hong Kong is 5/F, 180 Hennessy Road, Wan Chai, Hong Kong.

(c) The registered office of the Investor is Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands and the correspondence address of the Investor in Hong Kong is 1503, Level 15, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong. As at the Latest Practicable Date, the directors of the Investor are Mr. Wang Zhenyu and Mr. Du Jinglei.

(d) The registered office of CDH Fast One Limited is Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands and the correspondence address of the Investor in Hong Kong is 1503, Level 15, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong. As at the Latest Practicable Date, the directors of the CDH Fast One Limited are Mr. Wang Zhenyu and Mr. Du Jinglei.

(e) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) The correspondence address of Anglo Chinese Corporate Finance, Limited is 40/F Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(g) CDH Fund IV, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands focused on private equity investments in China, holds the entire issued share capital of CDH Fast One Limited (a limited liability company incorporated in the British Virgin Islands) which in turn holds the entire issued share capital of the Investor (a limited liability company incorporated in the British Virgin Islands). The general partner of CDH Fund IV, L.P. is CDH IV Holdings Company Limited, a limited liability company organized and existing under the laws of the Cayman Islands. CDH Fund IV, L.P. is managed by CDH Management. The Investor and CDH Fast One Limited are the principal members of the Investor's concert group.

(h) There is no agreement, arrangement or understanding (including any compensation arrangement) between the Investor, CDH Management or any person acting in concert with any of them and any of the Directors, recent Directors, Shareholders and recent Shareholders having any connection with or dependence upon the outcome of the Investment Agreement, the Whitewash Waiver or the Special Deals. There is no benefits to be given to any Directors as compensation for loss of office or otherwise in connection with the Investment Agreement, the Whitewash Waiver or the Special Deals.

(i) Save for the Management Subscription Agreement, there is no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement, the Whitewash Waiver or the Special Deals or otherwise connected therewith.

(j) There is no material contract entered into by the Investor or CDH Management in which any Director has a material personal interest.

(k) As at the Latest Practicable Date, there is no agreement, arrangement or understanding to transfer, charge or pledge any voting rights over the Investor Subscription Shares and the Convertible Bonds.

(l) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturday, Sunday and public holidays) at 31st Floor, AIA Central, 1 Connaught Road Central, Hong Kong, (ii) on the website of the Company at www.nfa360.com, and (iii) on the website of the SFC at www.sfc.hk from the date of this circular up to and including 9 August 2013, being the date of the EGM:

(a) the Articles;

(b) the memorandum and articles of association of the Investor;

(c) all material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) audited consolidated accounts of the Company for the last 2 financial years for which these have been published;

(e) the letter from the Board, the text of which is set out on pages 9 to 49 of this circular;

(f) the letter from the Independent Board Committee, the text of which is set out on page 50 of this circular;

(g) the letter from the Whitewash IBC, the text of which is set out on pages 51 to 52 of this circular;

(h) the letter from Anglo Chinese Corporate Finance, Limited, the text of which is set out on pages 53 to 99 of this circular;

(i) the letters of consent referred to in the section headed "Qualifications of Experts and Consents" in this appendix; and

(j) a copy of this circular.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 360)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of New Focus Auto Tech Holdings Limited (the "**Company**") will be held at No. 4589 Wai Qing Song Road, Qingpu District, Shanghai, PRC on 9 August 2013 at 2:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   a. the investment agreement dated 25 June 2013 between the Company and CDH Fast Two Limited (the "**Investor**") (the "**Investment Agreement**") (a copy of which is produced to the EGM marked "A" and signed by the chairman of the EGM for identification purpose) in relation to the subscription for 1,262,564,333 ordinary shares in the Company (the "**Shares**") (the "**Investor Subscription Shares**") at HK$0.30 per Investor Subscription Share and zero coupon convertible bonds in the aggregate principal amount of US$48,685,000 (the "**Convertible Bonds**"), and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;

   b. conditional upon the Listing Committee (the "**Listing Committee**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") approving the listing of, and granting permission to deal in, the Investor Subscription Shares, the directors of the Company (the "**Directors**") be and are hereby authorized to allot and issue 1,262,564,333 Investor Subscription Shares on the terms and subject to the conditions of the Investment Agreement;

   c. conditional upon the Listing Committee approving the listing of, and granting permission to deal in the Conversion Shares (as defined below), the Directors be and are hereby authorized to: (i) issue the Convertible Bonds to the Investor; and (ii) allot and issue such Shares which may fall to be issued upon exercise of the conversion rights

* *For identification purposes only*

attaching to the Convertible Bonds (the "**Conversion Shares**") on the terms and subject to the conditions of the Convertible Bonds;

d. the waiver granted or to be granted by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of his delegates) (the "**SFC Executive**") in accordance with Note 1 of the Notes on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") waiving the obligations of the Investor and any parties acting in concert with it to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Investor and parties acting in concert with it which would otherwise arise as a result of the allotment and issue of the Investor Subscription Shares and the Conversion Shares to the Investor be and is hereby approved; and

e. the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Investment Agreement and the transactions contemplated thereunder."

2. "**THAT**

a. the placing agreement dated 25 June 2013 between the Company and Morgan Stanley & Co. International plc (the "**Placing Agent**") (the "**Placing Agreement**") (a copy of which is produced to the EGM marked "B" and signed by the chairman of the EGM for identification purpose) in relation to the placing of up to 1,060,673,334 new Shares (the "**Placing Shares**") at a placing price of HK$0.3 per Placing Share, and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;

b. conditional upon the Listing Committee approving the listing of, and granting permission to deal in, the Placing Shares, the Directors be and are hereby authorized to allot and issue up to 1,060,673,334 Placing Shares to placees on the terms and subject to the conditions of the Placing Agreement; and

c. the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Placing Agreement and the transactions contemplated thereunder."

3. "**THAT**

a. the management subscription agreement dated 25 June 2013 between the Company and Mr. Raymond N. Chang ("**Mr. Chang**") (the "**Management Subscription Agreement**") (a copy of which is produced to the EGM marked "C" and signed by the chairman of the EGM for identification purpose) in relation to the subscription by Mr. Chang of 51,866,667 new Shares (the "**Management Subscription Shares**") at the subscription price of HK$0.3 per Management Subscription Share, and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;

b. the subscription of the Management Subscription Shares by Mr. Chang, who is an executive Director and the chief executive officer of the Company, on the terms and subject to the conditions of the Management Subscription Agreement, and other transactions contemplated thereunder and in connection therewith, be and are hereby approved for the purposes of Note 3 to Rule 25 of the Takeovers Code;

c. conditional upon the Listing Committee approving the listing of, and granting the permission to deal in, the Management Subscription Shares, the Directors be and are hereby authorized to allot and issue 51,866,667 Management Subscription Shares to Mr. Chang on the terms and subject to the conditions of the Management Subscription Agreement; and

d. the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Management Subscription Agreement and the transactions contemplated thereunder."

4. "**THAT**

a. the adoption of the management incentive scheme (the "**Management Incentive Scheme**") under which share options (the "**Management Options**") may be granted to the senior management of the Company in respect of up to 508,297,292 Shares (the "**Management Option Shares**"), and, conditional upon the approval from the Stock Exchange, the grant of Management Options to senior management including Mr. Chang and Ms. Hung Ying-Lien, an executive Director, the vice president and the chief financial controller of the Company ("**Ms. Hung**"), on the terms and subject to the conditions as described in the circular of the Company dated 17 July 2013 issued to its shareholders (the "**Circular**") and to be approved and determined by the Board, be and are hereby approved;

b. the grant of Management Options in respect of up to 203,318,917 Management Option Shares to Mr. Chang and Ms. Hung, on the terms and subject to the conditions as described in the Circular and to be approved and determined by the Board, be and is hereby approved for the purposes of Note 3 to Rule 25 of the Takeovers Code;

c. conditional upon the Listing Committee approving the listing of, and granting the permission to deal in, the Management Option Shares, the Directors be and are hereby authorized to allot and issue the Management Option Shares upon the exercise of the Management Options;

d. the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Management Incentive Scheme, the grant of Management Options and the matters contemplated therewith."

5. "**THAT** the authorised share capital of the Company be and is hereby increased from HK$200,000,000 to HK$600,000,000 by the creation of 4,000,000,000 unissued Shares of HK$0.10 each; and the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the above increase of share capital and matters connected therewith."

6. "**THAT** conditional upon the passing of Ordinary Resolution No. 1 set out in the notice convening the Meeting and the completion of the transactions contemplated under the Investment Agreement (the "**Completion**"), effective from the date of Completion:

a. Mr. Hung Wei-Pi be re-designated as a non-executive Director;

b. Mr. Wang Zhenyu be elected as a non-executive Director;

c. Mr. Ying Wei be elected as a non-executive Director;

d. Mr. Zhang Jianxing be elected as an executive Director;

e. Mr. Du Jinglei be elected as a non-executive Director;

f. Mr. Hu Yuming be elected as an independent non-executive Director;

g. Mr. Lin Lei be elected as an independent non-executive Director;

h. Mr. Zhang Jie be elected as an independent non-executive Director; and

i. the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the above re-designation and appointment of Directors and matters connected therewith."

7. "**THAT** conditional upon the passing of Ordinary Resolution No. 1 set out in the notice convening the Meeting, KPMG be appointed as new auditors of the Company effective upon the formal appointment by the Board after the date of Completion; and the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the above appointment of new auditors and matters connected therewith."

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

Hong Kong, 17 July 2013

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
5/F., 180 Hennessy Road
Wan Chai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is holding two or more shares of the Company is entitled to appoint more than one proxies to attend and vote in his stead. If more than one proxies are appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending the meeting or any adjournment thereof and voting in person if he so wishes and in such event, the form of proxy will be deemed to be revoked.

3. The register of members of the Company will be closed from Wednesday, 7 August 2013 to Friday, 9 August 2013 (both dates inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend the extraordinary general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and transfer office, 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 Tuesday, 6 August 2013.

4. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. All the resolutions are to be voted by way of poll.

As at the date hereof, 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, Chih T. Cheung and Uang Chii-Maw.