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## **NEW FOCUS AUTO TECH HOLDINGS LIMITED**

**新焦點汽車技術控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 360)**

### **SUPPLEMENTAL AGREEMENT TO EQUITY TRANSFER AGREEMENT IN RELATION TO ACQUISITION OF 51% EQUITY INTEREST IN CHANGCHUN GUANGDA AND CONNECTED TRANSACTION**

Reference is made to the announcement dated 17 July 2012 and the circular dated 24 September 2012 of the Company in relation to the acquisition of 51% equity interest in Changchun Guangda.

#### **Supplemental Agreement to the Equity Transfer Agreement**

The Company and the Vendor entered into a supplemental agreement with effect from 29 January 2014 to amend the terms of the Equity Transfer Agreement. The amendments include the change of payment terms and the inclusion of additional guarantee of future performance of Changchun Guangda by the Vendor. For this purpose, Equity Interest as Collateral will be transferred to the designated subsidiary of the Company by the Vendor to secure the performance of her guarantee.

Changchun Guangda is a 51%-owned subsidiary of the Company. The Vendor, being a substantial shareholder of Changchun Guangda, is therefore a connected person of the Company. The transfer of Equity Interest as Collateral contemplated under the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) calculated under the Listing Rules in respect of the Transfer of Equity Interest as Collateral are less than 1% and the transaction is a connected transaction only because it involves the Vendor who is a connected person of the Company by virtue of her relationship with Changchun Guangda, the Transfer of Equity Interest as Collateral is exempt from the reporting, announcement and independent shareholders' approval requirements.

\* For identification purposes only

Reference is made to the announcement dated 17 July 2012 and the circular dated 24 September 2012 of the Company in relation to the acquisition of 51% equity interest in Changchun Guangda.

On 17 July 2012, the Company and the Vendor entered into the Equity Transfer Agreement whereby the Vendor agreed to transfer her 51% equity interest in Changchun Guangda to the Company at a consideration of RMB132,600,000 (subject to adjustment). As at the date of this announcement, RMB132,600,000, has been fully paid by the Company to the Vendor in accordance with the terms of the Equity Transfer Agreement and the Company has already acquired the Equity Interest.

Pursuant to the Equity Transfer Agreement, the Consideration shall be subject to adjustment by an amount equals to the difference between the Consideration and the Final Price, which will be determined in accordance with the formula set forth in the Equity Transfer Agreement. The Audited Net Profit After Taxation during the Assessment Period was determined to be approximately RMB26,289,720.42, the Price/Earning Ratio was determined to be 15 and the Price/Earning Adjustment Ratio was determined to be 1. The Final Price was determined to be RMB198,900,000 pursuant to the above formula. The Company is therefore obligated to pay the Vendor the adjustment amount of RMB66,300,000, being the difference of the Consideration and the Final Price.

#### **SUPPLEMENTAL AGREEMENT TO THE EQUITY TRANSFER AGREEMENT**

The Company and the Vendor entered into the Supplemental Agreement with effect from 29 January 2014 to amend the terms of the Equity Transfer Agreement. The amendments include the change of payment terms and the inclusion of additional guarantee of future performance of Changchun Guangda by the Vendor. For this purpose, Equity Interest as Collateral will be transferred to the designated subsidiary of the Company by the Vendor to secure the performance of her guarantee.

#### **Change of Payment Terms and Guarantee of Performance of Changchun Guangda for 2014**

Pursuant to the Supplemental Agreement, the adjustment amount of RMB66,300,000 shall be satisfied as follows:

- (i) RMB46,300,000 by way of cash within ten business days after the completion of industry and commerce registration in relation to the Transfer of Equity Interest as Collateral; and
- (ii) RMB20,000,000 by way of cash within ten business days after the issue of Audited Report of 2014 if it determines that the Audited Net Profit After Taxation of 2014 reaches RMB26,000,000. The Company will need not to pay such RMB20,000,000 if the Audited Net Profit After Taxation of 2014 falls below RMB26,000,000.

## **Guarantee of Performance of Changchun Guangda for 2015 and Transfer of Equity Interest as Collateral**

The Vendor further guaranteed that the Audited Net Profit After Taxation of 2015 will reach RMB26,000,000. As collateral for the performance of such guarantee, the Company and the Vendor agreed:

- (i) The Vendor shall transfer the Equity Interest as Collateral to the subsidiary of the Company it designates and complete the relevant industry and commerce registration within ten business days after the Supplemental Agreement becomes effective for a consideration of RMB4,780,000 which equals to the 10% of the registered capital of Changchun Guangda. The Company does not need to pay the above RMB4,780,000 before the Audited Net Profit After Taxation of 2015 is determined and no interest will accrue on the RMB4,780,000 prior to the above determination;
- (ii) The Company does not need to pay the consideration of RMB4,780,000 and will acquire the Equity Interest as Collateral for free provided that the Audited Net Profit After Taxation of 2015 to be determined by Audited Report of 2015 falls below RMB26,000,000;
- (iii) The Vendor shall repurchase the Equity Interest as Collateral within ten business days after the issue of Audited Report of 2015 if it determines that Audited Net Profit After Taxation of 2015 reaches RMB26,000,000 for the consideration of RMB4,780,000. In the event of above repurchase of Equity Interest as Collateral by the Vendor, RMB4,780,000 payable by the Company for the Transfer of Equity Interest as Collateral will be automatically offset against the RMB4,780,000 payable by the Vendor for the repurchase of Equity Interest as Collateral;
- (iv) The Company will enjoy the benefits as owner of the Equity Interest as Collateral starting from the date of issue of the Audited Report of 2015 if it determines that the Audited Net Profit After Taxation of 2015 falls below RMB26,000,000; and
- (v) If the Transfer of Equity Interest as Collateral is declared by the competent authority to be invalid and such declaration is not made based on the request of the Company or its subsidiaries, the Vendor shall pay the Company RMB20,000,000 within ten business days after the issue of Audited Report of 2015 if it determines that the Audited Net Profit After Taxation of 2015 falls below RMB26,000,000.

Upon the completion of Transfer of Equity Interest as Collateral, the equity interest in Changchun Guangda owned by the Company will be increased from 51% to 61%.

Apart from the aforesaid matters, there is no change to any other terms and conditions of the Equity Transfer Agreement.

## **INFORMATION ON CHANGCHUN GUANGDA**

Changchun Guangda is a 51%-owned subsidiary of the Company principally engaged in the provision of comprehensive auto aftermarket services, including auto cleaning, detailing, routine maintenance, body repair, modification and sale of auto accessories.

As at 30 June 2013, the unaudited net assets of Changchun Guangda was approximately RMB68,171,131.57. The audited profit before and after taxation and extraordinary items of Changchun Guangda for the financial years ended 2011 were RMB948,643.84 and RMB641,519.41 respectively. The audited profit before and after taxation and extraordinary items of Changchun Guangda for the financial years ended 2012 were RMB9,558,970.98 and RMB7,012,934.90 respectively.

## **INFORMATION ON THE VENDOR**

The Vendor is a substantial shareholder of Changchun Guangda.

## **REASONS FOR AND BENEFITS OF EXECUTION OF SUPPLEMENTAL AGREEMENT**

The Supplemental Agreement was entered into to obtain from the Vendor the guarantee of the performance of Changchun Guangda for the years of 2014 and 2015. With such guarantee, the management of Changchun Guangda, most of them being the family members of the Vendor, will be further motivated to strive to promote the business progress and performance of Changchun Guangda. Transfer of the Equity Interest as Collateral was arranged to secure the performance of above guarantee made by the Vendor.

The Directors (including the independent non-executive Directors) are of the view that the Supplemental Agreement was entered into on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole. No Director has a material interest in the transaction contemplated under the Supplemental Agreement.

## **LISTING RULES IMPLICATION**

Changchun Guangda is a 51%-owned subsidiary of the Company. The Vendor, being a substantial shareholder of Changchun Guangda, is therefore a connected person of the Company. The transfer of Equity Interest as Collateral contemplated under the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) calculated under the Listing Rules in respect of the Transfer of Equity Interest as Collateral are less than 1% and the transaction is a connected transaction only because it involves the Vendor who is a connected person of the Company by virtue of her relationship with Changchun Guangda, the Transfer of Equity Interest as Collateral is exempt from the reporting, announcement and independent shareholders' approval requirements.

The Directors consider that the Supplemental Agreement does not amount to material revisions to the terms of the Equity Transfer Agreement because the Company has not incurred any additional material obligation by entering into the Supplemental Agreement and the total amount of consideration payable by the Company for the Acquisition has not been increased. The Directors also noticed that the Acquisition would not have been classified as major transaction if the Acquisition had been conducted at the date of this announcement because the market capitalization of the Company is now much larger than it was when the Announcement was published. Given the above facts, the Directors consider that approval of the transactions contemplated under the Supplemental Agreement by Shareholders of the Company is not necessary although the Acquisition contemplated under the Equity Transfer Agreement constituted a major transaction of the Company and was approved by the Shareholders at the EGM held on 23 October 2012.

## **GENERAL**

The Group focuses on the operation of automotive chain services network in the Greater China Region, adopting a unified vertical integrated business model, covering from innovative product research and development, production and manufacturing, brand building, sales channel expansion and merchandise retail sales and service.

## **DEFINITIONS**

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

“Acquisition”	the acquisition by the Company from the Vendor of the Equity Interest pursuant to the Equity Transfer Agreement
“Announcement”	the announcement published by the Company on 17 July 2012 in relation to the acquisition of Equity Interest in Changchun Guangda
“Assessment Period”	a period of 12 months starting from the date on which the financial statements Changchun Guangda were consolidated to the Group’s financial statements i.e., 1 November, 2012
“Audited Net Profit After Taxation”	the lower of (i) Changchun Guangda’s net profit after taxation but before the deduction of non-recurring gains and losses, and (ii) Changchun Guangda’s net profit after taxation and the deduction of non-recurring gains and losses
“Audited Net Profit After Taxation of 2014”	the audited net profit after taxation of Changchun Guangda for the year of 2014 to be determined by the Audited Report of 2014

“Audited Net Profit After Taxation of 2015”	the audited net profit after taxation of Changchun Guangda for the year of 2015 to be determined by the Audited Report of 2015
“Audited Report of 2014”	the audit report to be issued by the auditors of the Company for the performance of Changchun Guangda in 2014
“Audited Report of 2015”	the audit report to be issued by the auditors of the Company for the performance of Changchun Guangda in 2015
“Board”	the board of Directors
“Changchun Guangda”	Changchun Guangda Automobile Trading Co., Ltd. * (長春廣達汽車貿易有限公司), a limited liability company established in the PRC and a 51%-owned subsidiary of the Company
“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
“Consideration”	RMB132,600,000, being the price payable by the Company to the Vendor for the Acquisition under the Equity Transfer Agreement (subject to adjustment)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company held on 23 October 2012 for the purpose of, among other things, considering and approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Interest”	the 51% equity interest in Changchun Guangda transferred by the Vendor to the Company under the Equity Transfer Agreement
“Equity Interest as Collateral”	10% equity interest in Changchun Guangda held by the Vendor
“Equity Transfer Agreement”	the equity transfer agreement dated 17 July 2012 entered into between the Company, the Vendor and other parties for the transfer of the Equity Interest from the Vendor to the Company
“Group”	the Company and its subsidiaries

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Equity Transfer Agreement entered into by the Company and the Vendor with effect from 29 January 2014
“Transfer of Equity Interest as Collateral”	the transfer of Equity Interest as Collateral by the Vendor to a designated subsidiary of the Company pursuant to Supplemental Agreement
“Vendor”	Ms. Gao Xiu Min (高秀民), who owns 34.98% equity interest in Changchun Guangda
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board  
**New Focus Auto Tech Holdings Limited**  
**WANG Zhenyu**  
*Chairman*

Hong Kong, 29 January 2014

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