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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 Cayman Islands with limited liability)

(Stock Code: 360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of New Focus Auto Tech Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	**2013** *RMB'000*	2012 *RMB'000* (Restated)
Turnover	*5*	**1,414,616**	1,397,885
Cost of sales and services		**(1,156,592)**	(1,106,721)
Gross profit		**258,024**	291,164
Other revenue and gains and losses	*6*	**(17,952)**	15,947
Distribution costs		**(252,116)**	(201,338)
Administrative expenses		**(160,159)**	(159,909)
Impairment loss on goodwill		**(154,696)**	(164,673)
Impairment loss on other intangible assets		**(211,722)**	(123,288)
Impairment loss on property, plant and equipment		**(1,006)**	(4,141)
Finance costs	*7*	**(25,635)**	(28,138)
Loss before taxation	*8*	**(565,262)**	(374,376)
Income tax expenses	*9*	**48,412**	16,017
Loss for the year		**(516,850)**	(358,359)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	**2013** **RMB'000**	2012 RMB'000 (Restated)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**3,033**	3,052
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**(513,817)**	(355,307)
Loss for the year attributable to			
– Owners of the Company	*11*	**(446,700)**	(324,761)
– Non-controlling interests		**(70,150)**	(33,598)
		(516,850)	(358,359)
Total comprehensive income attributable to			
– Owners of the Company		**(443,667)**	(322,125)
– Non-controlling interests		**(70,150)**	(33,182)
		(513,817)	(355,307)
Loss per share	*11*		
Basic (RMB cents)		**(31.60)**	(47.50)
Diluted (RMB cents)		**(31.60)**	(47.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013
(Expressed in Renminbi)

	Note	**31 December 2013** **RMB'000**	31 December 2012 *RMB'000*	1 January 2012 *RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**220,848**	247,137	219,100
Leasehold land and land use rights		**41,793**	43,053	17,688
Investment properties		**47,958**	47,141	46,764
Goodwill		**146,256**	302,244	285,992
Other intangible assets		**49,003**	261,210	336,275
Deferred tax assets		**15,239**	2,859	222
Prepayments for acquisition of land use right and property, plant and equipment		**–**	1,133	14,108
Prepayment for proposed acquisition of subsidiaries		**–**	1,000	1,500
		521,097	905,777	921,649
Current assets				
Inventories		**259,845**	293,834	310,469
Tax recoverable		**311**	113	1,260
Trade receivables	*12*	**180,238**	193,200	230,373
Deposits, prepayments and other receivables		**123,327**	149,758	98,275
Amounts due from related companies		**4,325**	8,800	11,064
Trading securities		**196**	243	243
Pledged time deposits		**22,529**	8,588	3,587
Cash and cash equivalents		**234,865**	133,726	326,840
		825,636	788,262	982,111
Current liabilities				
Bank borrowings, secured		**128,269**	249,307	175,549
Trade payables	*13*	**210,799**	241,484	215,701
Accruals and other payables		**218,129**	155,091	189,213
Amount due to a related party		**12,758**	10,998	1,000
Amounts due to non-controlling owners of subsidiaries		**7,900**	14,704	10,957
Renminbi-denominated bonds		**–**	199,372	–
Tax payable		**1,928**	7,728	10,178
		579,783	878,684	602,598
Net current assets/(liabilities)		**245,853**	(90,422)	379,513
Total assets less current liabilities		**766,950**	815,355	1,301,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2013
(Expressed in Renminbi)

	Note	**31 December 2013** *RMB'000*	31 December 2012 *RMB'000*	1 January 2012 *RMB'000*
Non-current liabilities				
Bank borrowings, secured		**10,658**	13,648	11,898
Renminbi-denominated bonds		**–**	–	197,879
Convertible bonds		**239,526**	129,881	122,261
Deferred tax liabilities		**23,091**	67,792	86,524
Consideration payables		**–**	78,346	7,002
		273,275	289,667	425,564
NET ASSETS		**493,675**	525,688	875,598
CAPITAL AND RESERVES				
Share capital		**242,704**	59,443	58,256
Reserves		**88,204**	224,913	559,397
Total equity attributable to owners of the Company		**330,908**	284,356	617,653
Non-controlling interests		**162,767**	241,332	257,945
TOTAL EQUITY		**493,675**	525,688	875,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

New Focus Auto Tech Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region and trading of automobile accessories. The Company and its subsidiaries are collectively referred to the Group.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the IASB. In addition, the financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Group's consolidated financial statements were previously prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs). Although HKFRSs have been fully converged with IFRSs in all material respects since 1 January 2005, these financial statements are the first published consolidated financial statements in which the Group makes an explicit and unreserved statement of compliance with IFRSs. Therefore, in preparing these financial statements management has given due consideration to the requirements of IFRS 1, First-time Adoption of International Financial Reporting Standards. For this purpose the date of the group's transition to IFRSs was determined to be 1 January 2012, being the beginning of the earliest period for which the Group presents full comparative information in these financial statements.

With due regard to the group's accounting policies in previous periods and the requirements of IFRS 1, management has concluded that no adjustments to the amounts reported under HKFRSs as at the date of transition to IFRSs, or in respect of the year ended 31 December 2012, were required in order to enable the group to make an explicit and unreserved statement of compliance with IFRSs in the first IFRS financial statements which included these amounts as comparatives.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(a) Critical judgments in applying accounting policies

The following is the critical judgement that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recognised in financial statements.

(i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) Other intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's other intangible assets. The useful lives of other intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Other intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

(b) Key sources of estimation uncertainty

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is included in the follow:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

(ii) *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash – generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) *Impairment of trade and other receivables*

The Group's management determines the allowance for impairment of trade and other receivables. This estimate is based on the credit history of its customers and debtors and the current market condition. Management will reassess the allowance at end of each reporting period.

(iv) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at end of each reporting period.

4 RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION

(a) Segment information

In 2013, the Company categories the Group's operating segments into three reportable segments based on their economic characteristics similarity: (i) the manufacture and sale of automobile accessories (the "Manufacturing Business"); (ii) trading of automobile accessories (the "Wholesale Business"); and (iii) the provision of automobile repair, maintenance and restyling services (the "Retail Service Business"). In previous years, the Wholesale Business and the Retail Service Business were aggregated as one reportable segment as the provision of automobile repair, maintenance and restyling services and trading of automobile accessories.

The 2012 segment information has been restated in note 5 (a) and (b).

(b) Cost of sales and services

In 2013, the Company recorded the cost of goods sold and direct materials, labour costs, the depreciation of assets used in auto services and other expenses directly or indirectly attributable to the automobile repair, maintenance and restyling services in cost of sales and service. In previous years, except for the cost of goods sold and direct material, all other costs were recorded in distribution costs.

For consistency, the cost of sales and distribution costs in 2012 have been restated and the impact is set out below:

	As previously reported *RMB'000*	**Adjustment** *RMB'000*	**As Restated** *RMB'000*
Cost of sales and services	1,003,715	103,006	1,106,721
Distribution costs	304,344	(103,006)	201,338

(c) Functional currency of the Company

The Company is an offshore holding company and primarily functioned as an investment holding company, investing funds raised in operating subsidiaries whose functional currencies are RMB. Under the previous HKFRSs adopted by the Company, the Company identified its functional currency with reference to the functional currencies of its investees i.e. RMB. On adoption of IFRSs, and considering the currency in which funds from the Company's financing activities are generated and repaid, the functional currency of the Company is determined as US dollar by the directors of the Company. The US dollar has therefore been adopted as the functional currency of the company in these IFRS financial statements throughout all the periods presented.

The impact of the change of the functional currency on transition to IFRSs is set out below:

The Group

	As previously reported *RMB'000*	**Adjustment** *RMB'000*	**As Restated** *RMB'000*
Consolidated Statement of Comprehensive Income for the year 2012			
Other revenue and gains and losses	(16,446)	499	(15,947)
Other comprehensive income	(2,553)	(499)	(3,052)
Consolidated Statement of Financial Position			
As at 1 January 2012			
Reserve – exchange reserve	(7,877)	(3,109)	(10,986)
Reserve – retained profits	120,116	3,109	123,225
As at 31 December 2012			
Reserve – exchange reserve	(5,740)	(2,610)	(8,350)
Reserve – accumulated losses	(230,178)	2,610	(227,568)

The Company

	As previously reported *RMB'000*	Adjustment *RMB'000*	As Restated *RMB'000*
Statement of Financial Position			
As at 1 January 2012			
Reserve – exchange reserve	–	(3,109)	(3,109)
Reserve – accumulated losses	(69,821)	3,109	(66,712)
As at 31 December 2012			
Reserve – exchange reserve	–	(2,610)	(2,610)
Reserve – accumulated losses	(250,716)	2,610	(248,106)

5 TURNOVER AND SEGMENT INFORMATION

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

	2013 ***RMB'000***	2012 *RMB'000*
Sale of goods	**973,732**	938,348
Service income	**440,884**	459,537
	1,414,616	1,397,885

(a) Reportable Segment

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

The Group operates in three reportable segments: (i) the manufacture and sale of automobile accessories (the "Manufacturing Business"); (ii) trading of automobile accessories (the "Wholesale Business"); and (iii) the provision of automobile repair, maintenance and restyling services (the "Retail Service Business").

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

Set out below is an analysis of segment information:

	The Manufacturing Business *RMB'000*	The Wholesale Business *RMB'000*	The Retail Service Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2013				
Revenue				
External revenue	**418,787**	**471,338**	**524,491**	**1,414,616**
Inter-segment revenue	**1,656**	**–**	**–**	**1,656**
Segment revenue	**420,443**	**471,338**	**524,491**	**1,416,272**
Less: inter-segment revenue				**(1,656)**
Total revenue				**1,414,616**
Reportable segment results	**(43,158)**	**(261,766)**	**(196,575)**	**(501,499)**
Interest income	**732**	**124**	**365**	**1,221**
Unallocated interest income				**1,047**
Total interest income				**2,268**
Interest expenses	**(1,354)**	**(179)**	**(934)**	**(2,467)**
Unallocated interest expenses				**(23,168)**
Total interest expenses				**(25,635)**
Impairment loss on goodwill	**–**	**(62,278)**	**(92,418)**	**(154,696)**
Impairment loss on other intangible assets	**–**	**(186,813)**	**(24,909)**	**(211,722)**
Impairment loss on property, plant and equipment	**(1,006)**	**–**	**–**	**(1,006)**
Depreciation and amortisation charges	**(17,301)**	**(5,204)**	**(29,061)**	**(51,566)**
Unallocated depreciation and amortisation charges				**(2,658)**
Total depreciation and amortisation charges				**(54,224)**
Reportable segment assets	**405,896**	**254,349**	**568,085**	**1,228,330**
Total additions to non-current assets	**8,676**	**2,781**	**45,844**	**57,301**
Reportable segment liabilities	**209,712**	**108,528**	**424,998**	**743,238**

	The Manufacturing Business *RMB'000*	The Wholesale Business *RMB'000* (Restated)	The Retail Service Business *RMB'000* (Restated)	Total *RMB'000*
For the year ended 31 December 2012				
Revenue				
External revenue	391,836	503,392	502,657	1,397,885
Inter-segment revenue (restated)	13,513	–	–	13,513
Segment revenue (restated)	405,349	503,392	502,657	1,411,398
Less: inter-segment revenue (restated)				(13,513)
Total revenue				1,397,885
Reportable segment results	(2,775)	(250,382)	(59,094)	(312,251)
Interest income	128	477	486	1,091
Unallocated interest income				367
Total interest income				1,458
Interest expenses	(1,457)	(197)	(1,876)	(3,530)
Unallocated interest expenses				(24,608)
Total interest expenses				(28,138)
Impairment loss on goodwill	–	(155,358)	(9,315)	(164,673)
Impairment loss on other intangible assets	–	(120,472)	(2,816)	(123,288)
Impairment loss on property, plant and equipment	–	(4,141)	–	(4,141)
Depreciation and amortisation charges	(17,474)	(4,273)	(23,442)	(45,189)
Unallocated depreciation and amortisation charges				(1,697)
Total depreciation and amortisation charges				(46,886)
Reportable segment assets	413,738	522,837	692,766	1,629,341
Total additions to non-current assets	19,783	6,739	46,641	73,163
Reportable segment liabilities	323,445	154,158	459,004	936,607

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Loss before income tax expense		
Reportable segment loss	**(501,499)**	(312,251)
Unallocated other revenue and gains and losses	**(3,721)**	59
Unallocated corporate expenses	**(36,874)**	(37,576)
Unallocated finance costs	**(23,168)**	(24,608)
Consolidated loss before income tax expense	**(565,262)**	(374,376)

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
		(Restated)
Assets:		
Reportable segment assets	**1,228,330**	1,629,341
Unallocated corporate assets	**118,403**	64,698
Consolidated total assets	**1,346,733**	1,694,039
Liabilities:		
Reportable segment liabilities	**743,238**	936,607
Unallocated corporate liabilities	**109,820**	231,744
Consolidated total liabilities	**853,058**	1,168,351

(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**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (Place of domicile)	**911,191**	911,895	**476,054**	824,465
America	**230,276**	246,039	**–**	–
Europe	**104,451**	33,184	**–**	–
Asia Pacific	**26,538**	24,314	**–**	–
Taiwan	**142,160**	182,453	**29,804**	78,453
	1,414,616	1,397,885	**505,858**	902,918

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 (2012: Nil) with whom transactions exceeded 10% of the Group's revenues.

6 OTHER REVENUE AND GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Gross rentals from investment properties and other rental income	**3,732**	5,104
Interest income from bank deposits	**2,268**	1,458
Loss on disposal of property, plant and equipment, net	**(18,779)**	(150)
Valuation gains on investment properties	**817**	377
Sale of scrap inventories and sample income	**1,301**	495
Government subsidies#	**932**	2,586
Compensation income from lessors on early termination of operating leases	**–**	174
Sponsorship income	**442**	395
Exchange losses, net	**(8,875)**	(176)
Gain on change in fair value of contingent consideration payable for acquisition of a subsidiary	**1,156**	3,281
Others	**(946)**	2,403
	(17,952)	15,947

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.

7 FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interests on bank borrowings payable		
– within five years	**16,114**	11,283
– after five years	**257**	221
Interest on Renminbi-denominated bonds	**4,568**	9,014
Interest on convertible bonds (including imputed interest)	**4,696**	7,620
	25,635	28,138

8 LOSS BEFORE INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
This is arrived at after charging:		
Cost of inventories*	**1,132,519**	1,091,084
Write-down of inventories	**25,657**	15,637
Reversal of write-down in previous year	**(1,584)**	–
	1,156,592	1,106,721
Depreciation of property, plant and equipment	**52,964**	45,857
Amortisation of:		
Leasehold land and land use rights	**1,260**	804
Other intangible assets	**–**	225
Total depreciation and amortisation charges	**54,224**	46,886
Additional allowance for doubtful debts on trade receivables	**9,404**	13,879
Additional allowance for doubtful debts on other receivables	**500**	1,214
Auditors' remuneration	**2,800**	2,075
Operating lease expense	**65,566**	52,936
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**249,032**	208,202
Pension fund contributions	**18,523**	13,502
Equity-settled share-based payments	**53**	150
Compensation for loss of office of a director	**–**	2,000
Other benefits	**13,509**	9,930
Total employee benefit expenses	**281,117**	233,784

* Costs of inventories includes RMB183,430,000 (2012: RMB143,603,000) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

9 INCOME TAX EXPENSES

(a) Amounts recognized in profit or loss

	2013	2012
	RMB'000	*RMB'000*
Current tax expense		
– Current year		
PRC	**13,733**	13,361
Taiwan	**190**	708
– Adjustment for prior years	**(5,146)**	2,926
	8,777	16,995
Deferred tax expense		
– Origination and reversal of temporary differences, net	**(57,189)**	(33,143)
– Change in tax rate	**–**	131
	(57,189)	(33,012)
	(48,412)	(16,017)

(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 2013 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% (2012:25%) and 17% (2012:17%) respectively for the year. One major PRC subsidiary of the Company, being qualified as a high and new tech enterprise in the PRC, is subject to an applicable national PRC income tax rate of 15% (2012:15%) for three years from 1 January 2011, of which the income tax rate after 2013 is subject to the application result of renewed qualification of high and new tech enterprise.

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Loss before income tax expense	**(565,262)**	(374,376)
Tax calculated at applicable tax rate of 25% (2012: 25%)	**(141,316)**	(93,594)
Tax effect of non-taxable income	**(685)**	(692)
Tax effect of non-deductible expenses	**36,123**	43,379
Utilisation of tax losses not previously recognised	**–**	(1,035)
Effect of change in tax rate	**–**	131
Unrecognised tax losses	**35,167**	29,207
Effect of preferential tax treatments and tax exemptions	**4,743**	(705)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**17,568**	4,366
(Over-provision)/under-provision in respect of prior years	**(5,146)**	2,926
Land appreciation tax arising from the valuation on investment properties	**5,134**	–
Income tax expense	**(48,412)**	(16,017)

10 DIVIDEND

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: RMBNil). No interim dividend was declared in respect of the year ended 31 December 2013 (2012: RMBNil).

11 LOSS PER SHARE

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

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Loss		
Loss for the year attributable to the owners of the Company, used in the basic and diluted loss per share calculation	**(446,700)**	(324,761)
Shares		
Weighted average number of ordinary shares for the basic loss per share calculation	**1,414,085,597**	684,118,117
Effect of dilution – weighted average number of ordinary shares:		
– Share options#	**–**	–
– CDH CBs*	**–**	–
– STIC CBs&	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**1,414,085,597**	684,118,117

The computation of diluted loss per share for the years ended 31 December 2013 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in loss per share.

* The computation of diluted loss per share for the year ended 31 December 2013 does not assume the conversion of the Company's convertible bonds issued to CDH Fast Two Limited, the current controlling shareholder ("CDH CBs"), since their exercise would result in a reduction in loss per share.

& Convertible bonds issued to the STIC entities ("STIC CBs"), were mandatorily convertible into ordinary shares of the company. The ordinary shares to be issued upon conversion of STIC CBs were included in the computation of basic loss per share in prior year.

In 2013, the Company and the STIC entities revised the terms of STIC CBs and the Company shall have the right and obligation to redeem all the STIC CBs. Ordinary shares to be issued upon conversion of STIC CBs were not included in the computation of basic loss per share, and also diluted loss per share for the year ended 31 December 2013. Redemption was fully completed on 28 August 2013

12 TRADE RECEIVABLES

The Group

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*	1 January 2012 *RMB'000*
Trade receivables	**203,405**	208,117	231,411
Less: allowance for doubtful debts	**(23,167)**	(14,917)	(1,038)
	180,238	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

	2013 *RMB'000*	2012 *RMB'000*
At beginning of year	**14,917**	1,038
Additional allowance for the year *(Note 8)*	**9,404**	13,879
Bad debts written off	**(1,154)**	–
At end of year	**23,167**	14,917

As at 31 December 2013, the Group's trade receivables of RMB30,160,000(2012: RMB45,259,000) were individually determined to be fully or partially impaired. Such trade receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none or only a portion of the receivables is expected to be recovered. Consequently, an accumulated allowance for doubtful debts of RMB23,167,000 (2012: RMB14,917,000) is made as at 31 December 2013. 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

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*	1 January 2012 *RMB'000*
Current to 30 days	**72,041**	49,702	136,317
31 to 60 days	**49,616**	56,517	45,222
61 to 90 days	**22,656**	30,488	25,394
Over 90 days	**59,092**	71,410	24,478
	203,405	208,117	231,411
Less: allowance for doubtful debts	**(23,167)**	(14,917)	(1,038)
	180,238	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

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*	1 January 2012 *RMB'000*
Neither past due nor impaired	**93,486**	69,745	168,675
Less than 1 month past due	**53,566**	55,625	27,604
1 to 2 months past due	**26,193**	37,488	10,654
	79,759	93,113	38,258
	173,245	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.

13 TRADE PAYABLES

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

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*	1 January 2012 *RMB'000*
Current to 30 days	**113,600**	109,282	139,033
31 to 60 days	**52,690**	40,104	29,855
61 to 90 days	**9,382**	37,524	11,715
Over 90 days	**35,127**	54,574	35,098
	210,799	241,484	215,701

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

14 SUBSEQUENT EVENTS

On 28 January 2014, pursuant to the acquisition agreement for 51% of shareholdings of Changchun Guangda Automobile Trading Co., Ltd. ("Changchun Guangda") on 17 July 2012, the Group paid consideration in amount of RMB26,520,000 to the vendor of equity interest in Changchun Guangda.

On the same day, the Group entered into a supplemental agreement with effective from 29 January 2014 with the vendor of Changchun Guangda to amend the payment terms of the acquisition agreement on the outstanding payable of RMB66,300,000 and include additional guarantee of future performance of Changchun Guangda for 2014 by the vendor as follows:

(i) RMB46,300,000 by way of cash on the completion of industry and commerce registration in relation to the transfer of 10% of equity interest in Changchun Guangda held by the vendor as collateral; and

(ii) RMB20,000,000 by way of cash 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 failing to reach the profits target.

Also, a guarantee of performance of Changchun Guangda for 2015 and the above mentioned transferred equity interest as collateral were agreed in the supplemental agreement.

On 19 February 2014, the transfer of 10% of equity interest as collateral to the Group from the vendor of Changchun Guangda has been completed. On 3 March 2014, the Group paid RMB46,300,000 to the vendor by way of cash.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2013, the Group focused on the automotive aftermarket chain service in the Greater China region, based on channel construction and branding promotion as well as one-stop retail service, providing and satisfying the basic needs of numerous automotive users, taking the market-leading position in the industry.

Results Highlights

Revenue

For the year ended 31 December 2013, the Group recorded a consolidated turnover of approximately RMB1,414,616,000 (2012: RMB1,397,885,000), representing an increase of approximately 1.2%.

The consolidated turnover of the Group's retail service business amounted to approximately RMB524,491,000 (2012: RMB502,657,000), representing an increase of approximately 4.3%. The increase was mainly attributable to the acquisition of Changchun Guangda by the Group in November 2012. The difference between the annual turnover of Changchun Guangda in 2013, which was consolidated into turnover under the statement of the Group, and that for the last two months of 2012 was approximately RMB89,563,000. Excluding the aforesaid difference, the turnover decreased approximately RMB67,729,000 when compared with 2012. The decrease was mainly attributable to the transformation of the Group's services business from traditional car wash and beauty services operating model to one-stop comprehensive shops, resulting in a decrease in turnover.

The consolidated turnover of wholesale service business of the Group was approximately RMB471,338,000 (2012:RMB503,392,000), representing a decrease of approximately 6.4%. The decrease was mainly attributable to the impact of e-commerce and the vigorous competition in the industry.

The consolidated turnover of manufacturing business of the Group was approximately RMB418,787,000 (2012:RMB391,836,000), representing an increase of approximately 6.9%. The operation team put efforts to improve the performance. Even USD depreciated against RMB, the performance of manufacturing business had still improved.

Gross profit and gross margin

The consolidated gross profit of the Group was approximately RMB258,024,000 in 2013 (2012: RMB291,164,000), down approximately 11.4%. Gross margin decreased from approximately 20.8% in 2012 to approximately 18.2% in 2013.

The gross profit of the Group's retail service business was approximately RMB112,667,000 (2012: RMB100,690,000), representing an increase of approximately 11.9%. The difference between the gross profit of Changchun Guangda in 2013, which was consolidated into gross profit under the statement of the Group, and that for the last two months of 2012 was approximately RMB38,278,000. Excluding the aforesaid difference, gross profit decreased approximately RMB26,301,000 mainly due to the decrease in turnover.

The gross profit of the Group's wholesale service business was approximately RMB92,522,000 (2012: RMB112,836,000), representing a decrease of approximately 18.0%, while its gross margin decreased from 22.4% to 19.6%. The decreases were mainly attributable to the impact of e-commerce and the vigorous competition in the industry which caused an adverse impact on the sales and gross profit of wholesales.

The gross profit of the Group's manufacturing business was approximately RMB52,835,000 (2012: RMB77,638,000), representing a decrease of approximately 31.9%, while its gross margin was approximately 12.6% (2012: 19.8%). The decreases in the gross profit and gross margin of the Group's manufacturing business were mainly because the Group made a provision for inventory impairment of approximately RMB20,368,000 for inventory with net realizable value lower than its carrying amount (2012: RMB6,010,000), its labor cost increased for approximately RMB8,387,000 following the increase in minimum wage in Shanghai and continuous depreciation of USD in 2013.

Expenses

Sales and marketing expenses for the year were approximately RMB252,116,000 (2012: RMB201,338,000), representing a growth of approximately 25.2%. The increase mainly included the difference of approximately RMB9,707,000 between the annual sales and marketing expenses of Changchun Guangda in 2013 and that for the last two months of 2012. In addition, Shanghai New Focus Auto Repair Services Co., Ltd (上海新焦點汽車維修服務有限公司), a subsidiary of the Group, incurred a loss of approximately RMB22,627,000 due to transformation of business model.

The administrative expenses for the year were approximately RMB160,159,000 (2012: RMB159,909,000), representing an increase of approximately 0.2%, which mainly included the difference of approximately RMB3,336,000 between the administrative expenses of Changchun Guangda in 2013 and that for the last two months of 2012.

Operating loss

The operating loss of the Group was approximately RMB539,627,000 (2012: operating loss of RMB346,238,000). The impairment of long term asset such as goodwill and intangible assets arising from the acquisition, the impairment of current assets such as inventories and receivables and the disposal loss of other long-term assets caused the Group to incur operating loss of approximately RMB435,767,000. Other reasons included the significant decrease in gross profit during the year and the substantial increase in sales and marketing expenses.

The Company incurred an impairment loss on goodwill in aggregate of approximately RMB154,696,000 for the year ended 31 December 2013, of which approximately RMB43,624,000 arose from the impairment loss on goodwill allocated to Hubei Autoboom Auto Accessories Supermarket Co., Ltd (湖北歐特隆汽車用品超市有限公司) ("Hubei Autoboom"), approximately RMB40,467,000 from the impairment loss on goodwill allocated to Changchun Guangda, approximately RMB26,617,000 from the impairment loss on goodwill allocated to IPO Automotive Corporation Limited (艾普汽車股份有限公司) ("IPO Automotive"), approximately RMB18,655,000 from the impairment loss on goodwill allocated to Shanghai Astrace Trade Development Company Ltd (上海追得貿易發展有限公司) ("Shanghai Astrace"), approximately RMB10,217,000 from the impairment loss on goodwill allocated to two subsidiaries situated in Shandong (山東愛義行) ("Shandong Aiyihang"), approximately RMB7,951,000 from the impairment loss on goodwill allocated to New Focus Richahaus Co., Ltd. (新焦點麗車坊股份有限公司) ("Richahaus") and approximately RMB7,165,000 from the impairment loss on goodwill allocated to Shenzhen Yonglonghang Auto Service Ltd (深圳市永隆行汽車服務有限公司) ("Shenzhen Yonglonghang").

The Company incurred an impairment loss on other intangible assets in aggregate of approximately RMB211,722,000 for the year ended 31 December 2013, of which approximately RMB56,502,000 arose from the impairment loss on other intangible assets allocated to Zhejiang Autoboom Industrial Co., Ltd (浙江歐特隆實業有限公司) ("Zhejiang Autoboom"), approximately RMB51,902,000 from the impairment loss on other intangible assets allocated to Liaoning Xin Tian Cheng Industrial Co., Ltd (遼寧新天成實業有限公司) ("Liaoning XTC"), approximately RMB49,033,000 from the impairment loss on other intangible assets allocated to Shanghai Astrace, approximately RMB29,376,000 from the impairment loss on other intangible assets allocated to Hubei Autoboom, approximately RMB13,068,000 from the impairment loss on other intangible assets allocated to Shenzhen Yonglonghang, approximately RMB7,134,000 from the impairment loss on other intangible assets allocated to Richahaus and approximately RMB4,707,000 from the impairment loss on other intangible assets allocated to IPO Automotive.

The aforesaid impairments were mainly because the growth of sales of the above subsidiaries in 2013 was below expectation and the increases in expenses were above expectation. Therefore, the Company lowered the sales growth expectation of the aforesaid subsidiaries, resulting in an impairment loss on goodwill and intangible assets.

Finance costs

Net finance costs amounted to approximately RMB25,635,000 (2012: RMB28,138,000), representing a decrease of approximately 8.9%.

Taxation

Income tax expenses were approximately minus RMB48,412,000 (2012: minus RMB16,017,000). If the effect of impairment of long-term asset recognized during the year on the income tax expenses was not taken into account, income tax expenses from operation were approximately RMB1,558,000 during the year.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately RMB446,700,000 (2012: loss of approximately RMB324,761,000). The loss attributable to owners of the Company arising from impairment of long term assets such as goodwill and intangible assets arising from acquisitions, impairment of current assets such as inventory and account receivables and disposal loss of other long-term assets was approximately RMB357,241,000. Loss per share was approximately RMB31.60 cents (2012: loss per share of RMB47.50 cents).

Financial Position and Liquidity

For the year ended 31 December 2013, the Group maintained a stable financial position and the liquidity of assets of the Group remained healthy. The Group had a net operating cash outflow of approximately RMB58,017,000 (2012: outflow of approximately RMB5,051,000).

The non-current assets were approximately RMB521,097,000 as at 31 December 2013 (31 December 2012: RMB905,777,000).

The net current assets were approximately RMB245,853,000 as at 31 December 2013 (31 December 2012: net current liabilities of approximately RMB90,422,000), with a current ratio of approximately 1.42 (31 December 2012: 0.90).

Gearing ratio calculated by dividing total liabilities by total assets was approximately 63.34% as at 31 December 2013 (31 December 2012: approximately 68.97%). As at 31 December 2013, the total bank borrowings of the Group were approximately RMB138,927,000 (31 December 2012: RMB262,955,000).

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

Financial Guarantees and Pledge of Assets

As at 31 December 2013, the net book values of investment properties, property, plant and equipment and leasehold land and land use rights pledged as security for the Group's bank borrowings amounted to approximately RMB134,790,000 (31 December 2012: RMB138,679,000).

Investment by CDH Fast Two Limited

On 25 June 2013, with a view to improving its liquidity position and secure funding to carry out its business plans, the Company entered into, among others, the Placing Agreement, the Management Subscription Agreement, the STIC Amendment Deed and the Investment Agreement (all as defined in the circular of the Company to its shareholders dated 17 July 2013 (the "Circular") to effect the transactions contemplated thereunder (the "Transactions").

Completion of the Transactions took place on 28 August 2013, pursuant to which:

(a) 1,008,804,000 new placing shares were placed by Morgan Stanley & Co. International plc (the "Placing Agent") to more than six (6) independent placees pursuant to the Placing Agreement at the placing price of HK$0.30 per placing share (the "Placing");

(b) 51,866,667 new management subscription shares were allotted and issued to Ms. Wang Chin-wei, the spouse of former executive director and chief executive officer Mr. Raymond N. Chang at the management subscription price of HK$0.30 pursuant to the terms of the Management Subscription Agreement (the "Management Subscription");

(c) the Company redeemed, by using the proceeds from the Placing and the Management Subscription, the convertible bonds in the principal amount of US$38,201,001 in aggregate from STIC Secondary Fund II, L.P. and STIC Korea Integrated-Technologies New Growth Engine Private Equity Fund and in full at an aggregate redemption price of US$40,000,000; and

(d) pursuant to terms of the Investment Agreement, 1,262,564,333 new investor subscription shares were allotted and issued to CDH Fast Two Limited at the investor subscription price of HK$0.30 per share and the convertible bonds in the aggregate principal amount of US$48,685,000 were issued to CDH Fast Two Limited at the same principal amount.

CDH Fast Two Limited is a special purpose vehicle managed by CDH China Management Ltd ("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 CDH Fast Two Limited 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.

For details, please see the announcement of the Company dated 26 June 2013, the Circular, the announcement of the Company dated 17 July 2013, the announcement of the Company on the results of the voting in the extraordinary general meeting of the shareholders of the Company dated 9 August 2013, the announcement of the Company dated 13 August 2013, the announcements of the Company dated 28 August 2013 and the announcement of the Company dated 29 August 2013.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Acquisition of 18.68% equity interest in New Focus Richahaus

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

Supplemental Agreement to the Equity Transfer Agreement in relation to the Acquisition of 51% equity interest in Hubei Autoboom

On 23 September 2011, the Company and Chen Bing Yu (陳炳煜), Li Zhen Fei (李貞斐) and Li Zheng Guo (李正國) ("Hubei Autoboom Vendors") entered into the equity transfer agreement in relation to the acquisition of 51% equity interest in Hubei Autoboom (the "Equity Transfer Agreement"), and this acquisition completed on 23 September 2011. On 18 February 2013, the Company and Hubei Autoboom Vendors entered into a supplemental agreement to amend the terms of the Equity Transfer Agreement, including the method of consideration payment, pursuant to which the Company is obligated to pay Hubei Autoboom Vendors a sum of RMB27,621,178 for the outstanding consideration, of which RMB4,000,000 will be satisfied by way of cash and the remaining RMB23,621,178 will be satisfied by the issue of 29,749,744 new shares in the Company at the issue price of HK$0.98. The said sum of RMB4,000,000 has been settled and the new shares have been issued during the Period under review.

Determination and Settlement of consideration for Acquisition of 51% equity interest in Shenzhen Yonglonghang, 51% equity interest in Shanghai Astrace and 100% equity interest in IPO Automotive.

In relation to the acquisitions of 51% equity interest in Shenzhen Yonglonghang on 25 November 2009, 51% equity interest in Shanghai Astrace on 28 June 2011 and 100% equity interest in IPO Automotive on 15 November 2012, the Company has updated the determination of the acquisition and settlement of consideration. Details are set out in the Company's announcements dated 26 July 2013 and 13 September 2013.

Significant Investments

For the year ended 31 December 2013, the Group had no significant investments.

Exchange Risk

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

Contingent Liabilities

As at 31 December 2013, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2013, the Group employed a total of 4,879 full-time employees (31 December 2012: 5,291), of which 654 were managerial staff (31 December 2012: 921). The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees.

Industry Development and Business Review

The sales of passenger vehicle in the PRC was 17,930,000 in 2013, which increased 15.7% year-on-year. Comparing the number of new cars in 2011 and 2012, the automotive market recovered significantly in 2013. Meanwhile, scale of automotive after-sales market in the PRC in 2013 has exceeded RMB500 billion. It is anticipated that scale of the whole automotive after-sales market will be over RMB800 billion in 2015. The rapid growth of the industry provides a stable and superior macro-environment for the subsequent development of the Group.

The market believes that, the forthcoming two years will be the years of industrial consolidation for automotive aftermarket. Manufacturers possessing capital, technologies, management advantages will increase their effort gradually and the development of automotive aftermarket will have a better standard. Aftermarket enterprises which have differentiated products and standardized service quality will obtain fast, long-lasting and good development opportunity.

As at the end of 2013, the services business of the Group has a total of 90 stores in the business layouts, in which 9 of them are newly added. To reduce the loss in cash and adjust the layout, 17 stores ceased part of the business.

The Group's Service Business

Prior to the capital injection of CDH Fast Two Limited, the operating focuses of the Group were rapid expansion of its service network and number of new stores. In August 2013, CDH Fast Two Limited became our controlling shareholder. The newly established operation team made significant adjustment on the development strategies and operation direction of the retail and services business of the Group, including:

Firstly, implementation of city strategies: in-depth expansion of the market that are currently well developed and have stable earnings as well as further enhancing the market shares in those regions to achieve the absolute advantages. The obvious regional characteristics in business model of service business in auto aftermarket and differences in customers demand and business model development in relevant regions caused the failure of exerting the customers and management advantages in the existing regions and realizing benefits of scale of economies through large-scale and inter-regional opening of new stores. In contrast, regions which have accumulated brand recognition, establishment of mature management team and clear repeatable earnings pattern can, by rapidly expanding their stores layout, effectively increase the sales revenue, raise the profit level and increase the influence of and customer loyalty to local brands. Beijing Aiyihang and Changchun Guangda, subsidiaries of the Group which have operations in Northern China market (Beijing and Jinan) and Northeastern China market (Changchun and other cities in Jilin provinces) respectively, are leading enterprises in their regions with over ten years management experiences, mature and stable management team, and have proven repeatable earning pattern, possession criteria for in-depth expansion and fast development.

Secondly, new management of the Group no longer simply pursued for the number of new stores in the business layouts, but will focus on the contribution to actual operating results. The store layouts which did not have actual contribution to the development strategies and operation were adjusted or closed. As the store layouts were very dispersed and the distribution of single layout in multi-areas was difficult to manage, costly and lack of synergy with the Group's key market of development, the Group closed all store layouts which cooperated with Rt-Mart Co., Ltd. at the end of 2013.

Thirdly, under the existing earning pattern, we actively explored new operating methods to meet the upcoming consolidation. In retail service business, Beijing Aiyihang commenced a promotion campaign with innovative operating and services pattern in its Beijing major stores, aiming at exploring the new operation mode and potential customers. With such promotion campaign, the single day turnover of the relevant stores exceeded a million Renminbi, providing a valuable experience to the optimization of earning pattern of the retail services business and sustainable development of the Group. Meanwhile, subsidiaries of the Group which engage in wholesales business also continuously explore their future development strategies, consolidate their competitive advantages in service by enhancing the added-value of products and services with customized client service, which increased loyalty of customers of downstream retail products in order to cope with the challenges from the emerging online retailers.

In addition, the new management team optimized the management system of the Group by adjusting the organization structure and reducing number of staff, and perfecting the results oriented incentive appraisal system, thereby effectively streamlined the management cost, enhanced the management efficiency and created positive working atmosphere. We aimed at promoting a corporate culture which applies focus and synergy as direction in the Group by way of the aforesaid strategic adjustment and operation management measures.

The Group's Manufacturing Business

During the period under review, manufacturing business put great efforts into research and development of products and endeavored to provide "light, slight, modern, sleek and environmental friendly" automobile electronic products to customers. Upon the completion of investment in the Group by CDH Fast Two Limited, manufacturing business adopted measures such as optimizing suppliers, reducing number of staff and improving logistics to reduce it operating cost. The benefits of those measurements will be seen gradually in 2014.

Prospects

The service business of the Group will adopt the following main operating strategies in 2014:

First, insist cities strategies, focus on the development of key markets and enlarge the shares of those markets and increase the number of stores gradually to further consolidate the market position.

Second, further strengthen the centralized procurement of commodities (such as engine oil and tires) within the Group to reduce the procurement cost and increase the synergy and raise the profit of the Group.

Third, continuously explore the strategies of dealing with 4S stores' entering of the aftermarket business industry and the rapid development of e-commerce automotive products, actively adjust the operation mode and cope with challenges.

Save as the above mentioned, the Group will also consider acquisition that helps achieve the strategic objectives of the Group in due course and explore opportunities to introduce a new business scope to automotive after-sales market, such as professional automotive repair, automotive insurance and automotive finance, so as to provide car owners with a more comprehensive automotive after-sales service to improve our competitive advantages.

The manufacturing business of the Group will focus on the development of market in Europe and Asia Pacific, a market with giant potential, in 2014, adopt measures to minimize the operating cost continuously and enhance the efficiency of operation.

EVENTS AFTER THE REPORTING PERIOD

Based on the equity investment experience of CDH Investments, new management team dominated the amendment of the agreement relating to the acquisition of 51% equity interest in Changchun Guangda and signed a supplemental agreement which became effective since 29 January 2014. Supplemental agreement delayed the payment of acquisition consideration of RMB20,000,000 and added a guarantee made by the equity transferor in relation to the performance of the Group's subsidiary, Changchun Guangda, in 2014 and 2015.

Signing the aforesaid supplemental agreement realized the adjustment of the acquisition pattern of the Group made by the new management team. As operating performance of certain subsidiaries previously acquired by the Group were below expectation after the assessment period, the new management team absorbed past experience and will learn the relevant experience from CDH Investments to conduct possible acquisitions in a manner which better fit our industry and the current situation of the Group in the future.

CORPORATE GOVERNANCE

The Board believes the good corporate governance practice is the key to business growth and management of the Group.

The Company has applied the new Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2013.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2013, save and except for the deviation from code provision A.6.7.

Code provision A.6.7 stipulates that non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, only Mr. Hung Wei-Pi, John, being the then chairman of the Company and the Nomination Committee, and Mr. Du Hai-Bo, being the then chairman of Audit Committee and Remuneration Committee, attended the annual general meeting of the Company held on 7 June 2013. In addition, only Mr. Hung Wei-Pi, John, Mr. Du Hai-Bo and Ms. Hung Ying-Lien, a former executive director of the Company, attended the extraordinary general meeting of the Company held on 9 August 2013. Other five non-executive directors failed to attend such general meetings due to their other business engagement. The Company is of the view that the directors participated in the relevant general meetings were able to answer questions from the shareholders at the general meetings and to develop a balanced understanding of the shareholders' views.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. Having made specific enquiry to all directors by the Company, all directors confirmed that they had complied with the requirements set out in the Model Code during the financial year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee comprises a total of three members, being two independent non-executive directors, namely, Mr. Hu Yuming (Chairman) and Mr. Lin Lei, and one non-executive director, namely, Mr. Du Jinglei. The chairman of the Audit Committee is Mr. Hu Yuming who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013 in conjunction with the Company's external auditors, KPMG, Certified Public Accountants ("KPMG"). The financial information set out in the annual results announcement represents an extract from these consolidated financial statements.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

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

During the year, the Company did not repurchase any ordinary shares of the Company on the Hong Kong Stock Exchange under the general mandate granted at the annual general meeting held on 7 June 2013.

Save as disclosed, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held on 25 June 2014 and the notice of annual general meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 June 2014 to 25 June 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the 2013 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 20 June 2014.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been compared by KPMG, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this Announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.nfa360.com). The annual report of the Company for 2013 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

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

Hong Kong, 28 March 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.