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

ANNUAL REPORT 2013

* For identification purpose only

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CORPORATE INFORMATION

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Executive Directors

Zhang Jianxing *(Chief Executive Officer)*

Non-executive Directors

Wang Zhenyu *(Chairman)*
Hung Wei-Pi, John *(Vice-Chairman)*
Ying Wei
Du Jinglei

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Hu Yuming
Lin Lei
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Company Secretary

Liu Xiaohua

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Stock Code

360

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CHAIRMAN'S STATEMENT

On behalf of the Board, I express my sincere gratitude to all our shareholders, customers and parties who have long been supportive to the Group and to present the business review of the Group for 2013 and the future prospect.

Group Profile

The Group focused on the construction of an extensive automotive aftermarket chain service network in the Greater China region as well as the production of innovative and environmentally friendly automotive lighting and automotive electronic power products, with an aim to provide the automobile consumers with products and services of high performance-price ratio. The Group is a leader in the automotive aftermarket chain service network sector in the Greater China region. Within the region, we have 73 large-scale one-stop service shops and have 17 automotive accessories distribution exhibition centers, and ranked first in terms of both the scope and market share in the Greater China region. The large-scale one-stop service chain shops under the Group provides comprehensive after-sales services to car owners, including repair and maintenance, car wash and beauty, body repair and spray paint, sales of auto accessories and automotive insurance. Our shops are situated in Beijing, Shanghai, Shenzhen, Jinan, Changchun, and Taiwan.

Business Review

The Group recorded substantial loss in 2013 since the results of certain subsidiaries acquired by the Group did not meet the expectation after acquisition while part of the operating strategies and transformation were still in the stage of exploration.

CDH Investments (鼎暉投資) has completed the investment in the Group in August 2013 and became a controlling shareholder of the Group. After obtaining the controlling stake, CDH Investments made material adjustment to the organization structure and operating team of the Group. In order to reduce cash loss, new operating team implemented various measures, including formulation of city strategy which focuses on in-depth expansion of existing market in connection with the retail service business, and active exploration of transformation of business model in connection with wholesale business so as to enhance the core competitiveness of subsidiaries and overcome the challenges from the fast development of online retailers. The target of the Group is crystal clear – to effectively reduce the operating loss and realize profit as soon as possible.

Acquisition of the Group by CDH Investments proved that investors are optimistic about the prospect of automotive after-sales market. The sales of passenger vehicle in the PRC has been leading in the world over the recent decade and has been growing at all times. As the retention and the average age of car increased, it is expected that the scale of automotive after-sales market will have a rapid and high volume growth. Compared with developed countries such as Europe, USA and Japan, the automotive aftermarket of China is featured by small market share owned by auto aftermarket chain service providers, lack of car owners' understanding and trust of business models of aftermarket chain service providers and absence of national brand, all of which provided the Group with a huge room and good opportunities for business development. Due to its competitive price, standard services, assured quality products and convenient locations, the one-stop comprehensive chain services promoted by the Group will gain more and more recognition as the consuming concept of car owners became mature, thereby further enhancing the shares in the automobile aftermarket. The operating results of the Group will also gradually increase in line with the continuous optimization and improvement of services and increase in store numbers. Meanwhile, the Group will insist on an open-minded, learning and cooperative attitude to pay close attention to the development of other car after-sales industries and the growth of high quality enterprises in Great China region. We will actively explore the opportunities of mergers and acquisitions and cooperation which can bring synergies to selectively expand the scope and services of the Group.

Last but not least, I would like to take this opportunity to express my sincere gratitude to all staff of the Group for their hard work in 2013. We will work together to create better results in 2014!

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 Automobile Trading Co., Ltd. (長春市廣達汽車貿易有限公司) ("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.

Hubei Autoboom, Zhejiang Autoboom, Shanghai Astrace and Liaoning XTC engage in the wholesale of auto accessories. The industry of wholesales business was substantially influenced by the development of e-commerce business. Due to the low market entry threshold, many small businesses operate the wholesale of auto accessories online and the business of these four acquired companies has been materially affected accordingly.

Taiwan Richahaus, Shenzhen Yonglonghang, Shandong Aiyihang, Changchun Guangda and IPO Automotive engage in auto accessories retail and service business. There has been no significant change in such business and industry after the relevant acquisitions except some changes mentioned in below.

The directors believe that the main detailed reasons and changes in the circumstances during the financial year ended 31 December 2013 leading to the above impairment losses are as follows: (1) the increasingly competitive market in the retail business; (2) the rapid development of e-commerce automotive products influenced the traditional wholesale business of the Company, which caused the loss related to the Group's wholesale business; (3) the increase in the labour cost during the year ended 31 December 2013.

The impairment losses were mainly because the sales growth of certain subsidiaries of the Company in 2013 was below expectation and the increases in expenses were above expectation. In particular, the Company previously expected that:

(a) Hubei Autoboom would have realised an annual growth rate of approximately 5% in its revenue for the year ended 31 December 2013 as compared to that of the year of 2012. However, due to the vigorous competition in the industry arising from the development of e-commercial business, for the year ended 31 December 2013, its actual revenue decreased by approximately 27% and its distribution costs and administrative expenses increased by 22%, as compared to the year of 2012. Hubei Autoboom has already focused on the distribution of products with relatively higher gross profit ratio, but it will take some time to take effect.

(b) Zhejiang Autoboom would have realised an annual growth rate of approximately 5% in its revenue for the year ended 31 December 2013 as compared to that of the year of 2012. However, due to the vigorous competition in the industry arising from the development of e-commercial business, its actual revenue for the year ended 31 December 2013 decreased by approximately 5% as compared to that of the year of 2012.

(c) Shanghai Astrace would realise an annual growth rate of approximately 10% in its revenue for the year ended 31 December 2013 as compared to that of the year of 2012. However, due to the loss of certain big wholesale customers arising from the resignation of certain salesmen, its actual revenue for the year ended 31 December 2013 decreased by approximately 31% as compared to that of the year of 2012.

(d) Liaoning XTC would have realised an annual growth rate of approximately 10% in its revenue for the year ended 31 December 2013 as compared to that of the year of 2012. However, due to the vigorous competition in the industry arising from the development of e-commercial business, its actual revenue for the year ended 31 December 2013 only increased by approximately 1% as compared to that of the year of 2012. Such increase was mainly attributable to the cooperation with a well-known tyre manufacturer. Liaoning XTC was appointed as the sole agent in certain areas by this tyre manufacturer in the second half of 2013.

(e) Richahaus would have realised an annual growth rate of approximately 10% in its revenue for the year ended 31 December 2013 as compared to that of the year of 2012. However, due to the closure of one store, increasing labour cost in Taiwan and vigorous competition, for the year ended 31 December 2013, its revenue decreased by 25% and its distribution costs and administrative expenses increased by 3%, as compared to that of the year of 2012.

(f) Shenzhen Yonglonghang would have realised an annual growth rate of approximately 10% in its revenue for the year ended 31 December 2013 as compared to that of the year of 2012. However, due to the closure of two stores and dismissal of some staff, for the year ended 31 December 2013, its revenue decreased by 25% and its distribution costs and administrative expenses increased by 3%, as compared to that of the year of 2012.

(g) Shandong Aiyihang would have realised an annual increase rate of 36% in its revenue for the year ended 31 December 2013 as compared to that of the year of 2012. However, its actual revenue for the year ended 31 December 2013 only increased by approximately 7% as compared to that of the year of 2012 mainly due to competitive market and the increasing labour cost.

(h) Changchun Guangda would have realised an annual growth rate of approximately 25% to 45% in its revenue. However, due to the increasingly competitive market, the Company lowered such expectation to approximately 10% and the expectation of capital expenditures from RMB30 million to RMB3 million by changing to focus on the existing store layouts.

(i) IPO Automotive would have realised an increase in the net profit to NTD60,000,000 for the year ended 31 December 2013. However, the actual net profit of IPO Automotive for the year ended 31 December 2013 was only approximately NTD2,330,000 mainly due to the over-expectation of development of its high-end car washing and beauty business in Taiwan by the previous management team.

As mentioned above, due to certain factors as detailed above, competitive market and the increasing labour cost, the related business had incurred such impairment losses in 2013.

But in consideration of some emerging effects resulted from various measures implemented by new operating team, including formulation of city strategy which focus on in-depth expansion of existing market in connection with retail and services business, and transformation of business model in connection with wholesale business to overcome the challenges from the rapid development of online retails, and the expected rapid and high volume growth in the scale of automotive after-sales market in Great China region, the Directors believe that the sales and operating results of the Group, including the above mentioned acquired companies will gradually improve on the basis of the performances in 2013.

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, 13 September 2013 and 17 April 2014.

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 city 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.

Executive Directors

Mr. Zhang Jianxing

Mr. Zhang, aged 47, is the executive Director and the chief executive officer, and is currently responsible for the operation and management of the Group. Mr. Zhang has been the executive Director and the chief executive officer since August 2013.

Mr. Zhang graduated from Tongji University (同濟大學) and received a bachelor of science degree in civil engineering. He has been employed by CDH Investments Management (Hong Kong) Limited ("CDH") since 2011, and his current position is operating managing director. Prior to joining CDH, from 2009 to 2011, Mr. Zhang served as an operating director at China Resources Asset Management (華潤資產管理公司). From 2006 to 2009, he worked as a vice president at China Worldbest Group Co.,Ltd (中國華源集團有限公司).

Non-executive Directors

Mr. Wang Zhenyu (Chairman)

Mr. Wang, aged 50, is a non-executive Director and the Chairman of the Company. He graduated from Hefei University of Technology (合肥工業大學) with a bachelor's degree in machinery engineering in 1985 and a master's degree in industrial management engineering in 1988. Mr. Wang 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 (協眾國際控股有限公司) (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 (中國國際金融有限公司). Mr. Wang joined the Group in August 2013.

Mr. Hung Wei-Pi, John (Vice Chairman)

Mr. Hung, aged 53, is a non-executive Director and the Vice Chairman of the Company and is one of the founders of the Group. He graduated from Chung Yuan Christian University in Taiwan (台灣中原大學) with a bachelor's degree in commerce in 1982. In March 1994, Mr. Hung established Shanghai New Focus Auto Parts Co., Ltd. He assumed the positions of both the director and general manager. In 2001, Mr. Hung established Shanghai New Focus Auto Repair Services Co., Ltd. He served as the Chairman of the Company from February 2005 to August 2013. He is the brother of Ms. Hung Ying-Lien.

Mr. Ying Wei

Mr. Ying, aged 47, is a non-executive Director. He holds a master's degree in business administration from the University of San Francisco and a bachelor's degree in economics from the Zhejiang Gongshang University (浙江工商大學) (formerly known as Hangzhou Institute of Commerce (杭州商學院) and is a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Mr. Ying had worked for China Resources Textiles (Holdings) Company Limited (華潤紡織(集團)有限公司) 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 (中國水務集團有限公司) (Stock Code: 855) as vice president during the period from 2007 to 2009, worked for China Botanic Development Holdings Limited (中國植物開發控股有限公司) (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, and worked for China Public Procurement Limited (中國公共採購有限公司) (Stock Code: 1094) as an independent non-executive director during the period from 28 December 2012 to 24 March 2014. Currently, Mr. Ying is the operating partner of CDH Investments, an independent non-executive director of Chtc Fong's Industries Company Limited (恒天立信工業有限公司) (Stock Code: 641). Mr. Ying joined the Group since August 2013.

Mr. Du Jinglei

Mr. Du, aged 36, is a non-executive Director. He graduated with a bachelor's degree in mechanical engineering and a master's degree in measurement technology and instrumentation from Tsinghua University (清華大學) in July 2000 and July 2002, respectively. He has been employed by Ding Hui Investment Management (Tianjin) Company Limited (鼎輝股權投資管理(天津)有限公司) 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 joined the Group in August 2013.

Independent Non-executive Directors

Mr. Hu Yuming

Mr. Hu, aged 48, is an independent non-executive Director. He received a bachelor of science degree, a master of science degree and doctoral degree in economics from Xiamen University (廈門大學) in 1986, 1989 and 1995, respectively and is a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). He has been a professor at the School of Management of Jinan University (暨南大學管理學院) from 2000 to present and held various teaching positions in Xiamen University (廈門大學) from 1989 to 2000. He had worked for China Resources Jinhua Co., Ltd. (華潤錦化股份有限公司) (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 Guangzhou Zhujiang Brewery Co., Ltd. (廣州珠江啤酒股份有限公司) (SZSE Stock Code: 002461) and Guangdong HongDa Blasting Co., Ltd. (廣東宏大爆破股份有限公司) (SZSE Stock Code: 002683) as an independent director during the period from 2009 to 2012 and from 2010 to 2013, respectively. Currently, Mr. Hu is an independent director of Guangzhou Canudilo Fashion and Accessories Co., Ltd. (廣州卡奴迪路服飾股份有限公司) (SZSE Stock Code: 002656) and By-health Co., Ltd. (湯臣倍健股份有限公司) (SZSE Stock Code: 300146). Mr. Hu joined the Group in August 2013.

Mr. Lin Lei

Mr. Lin, aged 46, is an independent non-executive Director. He received a bachelor's degree in economic data application from the Renmin University of China (中國人民大學) in 1990. He is the founder, co-president and joint chief executive officer of Sinotrust International Information & Consulting (Beijing) Co., Ltd. (新華信國際信息諮詢（北京）有限公司) ("Sinotrust"). Prior to founding Sinotrust in 1992, from 1990 to 1992, Mr. Lin worked at the Ministry of Foreign Economic Relation and Trade (對外經濟貿易部). Mr. Lin is currently a member of the European Society for Opinion and Marketing Research (ESOMAR) (歐洲民意與市場研究協會), the American Marketing Association (AMA) (美國營銷協會) and China Association of Automobile Manufacturers (CAAM) (中國汽車工業協會). Mr. Lin is also an executive director of China Marketing Research Association (CMRA) (中國信息協會市場研究業分會), vice president of China Association of Market Information and Research (CAMIR) (中國市場信息調查業協會), director of Society of Automotive Engineers of China (SAE) (中國汽車工程學會), executive director of China Automobile Dealers Association (CADA) (中國汽車流通協會), commissioner of the expert committee of CADA, member of the Auto Market Branch of CADA, consultant of Beijing Association of Automobile Manufacturers (BAAM) (北京汽車行業協會), senior consultant of Beijing Automotive Economic Research Association (BAERA) (北京汽車經濟研究會) and expert of Sohu Automotive Marketing Summit (搜狐汽車營銷峰會), member of Sohu 50 Elites China Automobile Forum (搜狐"中國汽車50人論壇"), and consultant of 21st Century Automotive Research Institute (21世紀汽車研究院顧問). Mr. Lin joined the Group in August 2013.

Mr. Zhang Jie

Mr. Zhang, aged 52, is an independent non-executive Director. He received a bachelor's degree in chemical fibre macromolecule from Donghua University (東華大學) in 1983 and an executive master of business administration degree from Beijing International MBA (北大國際) at Peking University (北京大學) in 2000. Currently, Mr. Zhang is the chairman and secretary of China Hi-Tech Group Corporation (中國恒天集團有限公司), a guest professor at Jilin University (吉林大學) and a council member of Association for Relations Across the Taiwan Straits (中國海峽兩岸關係協會). Prior to such appointments, he worked at Synthetic Fibre Department of the Textile Industry Ministry (國家紡織工業部化纖司) and served as head of Synthetic Fibre Development Centre of China Textile Association (中國紡織總會化纖產品開發中心), general manager of Huafang Real Estate Development Company (華紡房地產開發公司), general manager and chairman of China Textile Machinery (Group) Co., Ltd. (中國紡織機械（集團）有限公司) and president of China Worldbest Group Co., Ltd. (中國華源集團有限公司). Mr. Zhang joined the Group in August 2013.

Senior Management

Mr. Lin Ming

Mr. Lin, aged 34, is the chief financial officer of the Group. He is currently responsible for financial budget and capital management of the Group.

Mr. Lin graduated from Nankai University (南開大學) in 2002. He holds a bachelor's degree in accountancy and is a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). From 2002 to 2007, he served as audit manager in KPMG Huazhen (畢馬威華振會計師事務所) and was responsible for certain IPO audit and other audit assurance engagements. From 2007 to 2013, he served as chief financial officer and senior vice president of Towona Mobile TV Media Group (China) Limited (世通華納移動電視傳媒集團（中國）有限公司). Mr. Lin joined the Group in August 2013.

Ms. Hung Ying-Lien

Ms. Hung, aged 48, is the COO of the Group and is responsible for the operating of the Group.

She graduated from Taiwan Fu Jen Catholic University (台灣輔仁大學) with a bachelor's degree in accountancy in 1988. She has extensive experience in the wholesale and retail service sector and in the finance field. Prior to joining the Group, Ms. Hung had worked in various positions in a hypermarket chain stores in Taiwan from 1991 to 2001, responsible for wholesale operations, human resource management, product management, inventory logistics and financial management. Ms. Hung joined the Group in July 2001. She is the sister of Mr. Hung Wei-Pi, John.

Mr. Ted Leung

Mr. Leung, aged 42, is the general manager of New Focus Lighting and Power Technology (Shanghai) Co., Ltd and is responsible for the manufacturing & foreign trade business of the Group.

Mr. Leung graduated from Rutgers (美國羅格斯大學) with a master's degree in Business in 1992. Prior to joining the Group, Mr. Leung served as Director of Sales and Managing Director of various multinational corporation including Dover Corporation (多福集團) and Pieralisi China Company Ltd (貝亞雷斯集團). Mr. Leung has 18 years in sales and 11 years in senior management positions experience. Mr. Leung joined the Group in June 2012.

Mr. Chen Bingyu

Mr. Chen, aged 48, is a Director and general manager of Hubei Autoboom Auto Accessories Supermarket Co., Ltd. ("Hubei Autoboom") and is responsible for the operating and management of Hubei Autoboom, a subsidiary of the Group. Mr. Chen graduated from Hangzhou University (杭州大學) in 1988. He opened a wool sweater factory in Wenling, Zhejiang from 1990 to 1995. He served as a general manager of Wuhan Changshun Auto Articles Co., Ltd (武漢昌順汽車用品有限公司) from 1996 to 2009. He founded Hubei Autoboom in 2009. Mr. Chen joined the Group in September 2011.

Mr. Li Haidong

Mr. Li, aged 44, is the executive general manager of Liaoning Xin Tian Cheng Industrial Co., Limited ("Liaoning Xin Tian Cheng") and is responsible for the operating and management of Liaoning Xin Tian Cheng, a subsidiary of the Group. He founded Liaoning Xin Tian Cheng in 1994. Mr. Li joined the Group in June 2010.

Mr. Lin Yunling

Mr. Lin, aged 49, is a Director and general manager of Zhejiang Autoboom Industrial Co., Limited ("Zhejiang Autoboom") and is responsible for the operating and management of Zhejiang Autoboom, a subsidiary of the Group. Mr. Lin is currently studying the internationalization president class in Economics and Management of Tsinghua University. He served as manager of Hangzhou Autoboom Auto Accessories Supermarket Co., Ltd (杭州歐特隆汽車用品超市有限公司) from 2004 to 2008. He founded Zhejiang Autoboom at the end of 2008. Mr. Lin joined the Group in August 2010.

Ms. Liu Fengxi

Ms. Liu, aged 47, is a Director and general manager of Shanghai Astrace Trade Development Company Limited ("Shanghai Astrace") and is responsible for the operating and management of Shanghai Astrace, a subsidiary of the Group. Ms. Liu graduated from Wuhan University (武漢大學) in 1988 and worked in universities, State-owned enterprises, foreign enterprises and listed companies. Mr. Liu involved in the aftermarket of automotive in the PRC in 2000 and engaged in the agent business of various international car audio brands. She has produced excellent results in PRC car audio market with deep and systematic innovation at the beginning of the business and has been active in promoting the development and growth of the industry. She founded Shanghai Astrace at the end of 2003 and successfully operated some brands of heat insulating film such as Sunsaint films (天幕), Apex (歐帕斯) and Master Tint Art (大師貼膜). Ms. Liu joined the Group in June 2011.

Mr. Wu Yande

Mr. Wu, aged 44, is a Director and executive general manager of Changchun Guangda Automobile Trading Co., Ltd. ("Changchun Guangda") and is responsible for the operating and management of Changchun Guangda, a subsidiary of the Group. He founded Changchun Guangda in 1996. Mr. Wu joined the Group in July 2012.

Mr. Xing Aiyi

Mr. Xing, aged 52, is a Director and general manager of Beijing Aiyihang Auto Service Ltd. ("Beijing Aiyihang") and is responsible for the operating and management of Beijing Aiyihang, a subsidiary of the Group. He received a master's degree in Business Administration from Party School of Beijing Municipal Committee (北京市委黨校) in 2009. He established Aiyihang Auto Service Centre in 1992, founded Beijing Aiyihang and started the automotive chain operation in 1997. Mr. Xing joined the Group in February 2007.

The board of Directors (the “Board” or the “Directors”) hereby presents this Corporate Governance Report in the Company’s annual report for the year ended 31 December 2013.

Corporate Governance Practices

The Board believes 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 set out in Appendix 14 of 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.

Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized as below.

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.

Board of Directors

Responsibilities and Delegation

The Board is responsible for the overall management and control of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively, and acting in the interests of the Company and its shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management. Any director may request independent professional advice in appropriate circumstances at the Company’s expense, upon making reasonable request to the Board. The Board has implemented appropriate measures and internal control procedures to ensure that the Company runs its business pursuant to all applicable legal and regulatory requirements with prudence and integrity.

The senior management are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions in a timely manner. Each of the Directors is entitled to obtain such records of the Company as are necessary to enable them to make informed decisions. Biographical details of the Directors and their relationships are set out under the section headed "Profiles of the Directors and Senior Management" in this annual report.

Issues reserved for discussion and approval by the Board include the following: (i) corporate strategies; (ii) annual budget and annual business plan; (iii) annual and interim results; (iv) internal control and risk management; (v) major acquisitions, disposals and capital transactions; (vi) other significant operational and financial matters.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim financial statements for Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control and risk management system, and compliance with relevant statutory requirements and rules and regulations. Each executive Director should assume individual responsibilities to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The independent non-executive Directors will provide independent advice to the Board and share their knowledge and experience with the other members of the Board.

Board Composition

The Board currently comprises one executive Director and seven non-executive Directors with three of them being independent non-executive Directors:

Executive Director
Mr. Zhang Jianxing *(Chief Executive Officer)*

Non-executive Directors
Mr. Wang Zhenyu *(Chairman)*
Mr. Hung Wei-Pi, John *(Vice-Chairman)*
Mr. Ying Wei
Mr. Du Jinglei

Independent Non-executive Directors
Mr. Hu Yuming
Mr. Lin Lei
Mr. Zhang Jie

The Company has received from each independent non-executive Director an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

Appointment and Re-Election of Directors

All Directors are appointed for a fixed term of three years. The articles of association of the Company require that one-third of the Directors (including executive and non-executive Directors) retire each year. The Directors to retire each year shall be those appointed by the Board during that year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Apart from the service agreement or letter of appointment (as the case may be) entered into by each non-executive Director with a fixed term, none of them has signed any form of service contract with the Company or any of its subsidiaries.

Continuous Professional Development of Directors

Under code provision A.6.5, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All directors are encouraged to attend relevant training courses at the Company's expense. During the year ended 31 December 2013, the Company organized briefings conducted by the Company Secretary and a Hong Kong legal advisor for all its Directors, namely, Mr. Zhang Jianxing, Mr. Wang Zhenyu, Mr. Hung Wei-Pi, John, Mr. Ying Wei, Mr. Du Jinglei, Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Jie, on corporate governance and provided reading materials on regulatory update to all the directors for their reference and studying. Directors are requested to provide their training records to the Company Secretary for record-keeping.

Board Committees & Corporate Governance Functions

On 28 August 2013, all of the former committees under the Board were dissolved and the Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee on the same day for overseeing particular aspects of the Company's affairs. The Audit Committee, the Remuneration Committee and the Nomination Committee have been established with defined written terms of reference, which are posted on the Company's website "www.nfa360.com" and the Stock Exchange's website and are available to shareholders upon request. All Board committees report to the Board on their decisions or recommendations.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

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 terms of reference of the Audit Committee have been determined with reference to the CG Code. The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re – appointment and removal of external auditors; and (iv) review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2013, the former audit committee, through its meeting held on 27 March 2013, and the Audit Committee, through its meeting held on 30 August 2013, have performed, among others, the following:

- review and discussion of the annual financial results and report in respect of the year ended 31 December 2012 and interim financial results and report for the six months ended 30 June 2013 and discussion with the management of the accounting principles and practices adopted by the Group;

- discussion on and recommendation of the re-appointment of the external auditors; and
- review of the internal control, financial reporting and risk management systems of the Group.

The external auditors were invited to attend the meetings of the former audit committee and the Audit Committee held during the year to discuss with the relevant former audit committee and Audit Committee members issues arising from the audit and financial reporting matters.

Remuneration Committee

The Remuneration Committee was set up on 28 August 2013. The Remuneration Committee comprises a total of three members, being two independent non-executive directors, namely, Mr. Hu Yuming (Chairman) and Mr. Zhang Jie; and one non-executive director, namely, Mr. Ying Wei.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, among others, (i) to make recommendations to the Board on the Company's policy and structure for directors and senior management's remuneration and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; and (ii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and the Company's senior management.

During the year ended 31 December 2013, the former nomination committee, through its meeting held on 21 March 2013 performed the following:

- review and discussion of the remuneration policy of the Group and the remuneration packages of the Directors and senior management of the Company.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2013 are set out in note 10 to the financial statements.

Nomination Committee

The Nomination Committee was set up on 28 August 2013. It comprises a total of three members, being two independent non-executive Directors, namely, Mr. Zhang Jie and Mr. Lin Lei and one non-executive Director, namely, Mr. Wang Zhenyu (Chairman).

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under the terms of reference of the Nomination Committee, the principal duties of the Nomination Committee are mainly to (i) review the structure, size and composition of the Board annually; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of directors of the Company.

To comply with the new provisions in the CG Code on board diversity which became effective on 1 September 2013, the nomination committee has adopted a policy concerning diversity of Board members (the "**Board Diversity Policy**"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2013, the former nomination committee, through its meeting held on 27 March 2013, performed the following:

- review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company; and

- recommendation of the re-appointment of those directors standing for re-election at the 2013 annual general meeting of the Company.

Strategy Committee

The strategy committee of the Company (the "**Strategy Committee**") consists of four members, namely Mr. Zhang Jie (Chairman), Mr. Wang Zhenyu, Mr. Hung Wei-Pi, John and Mr. Lin Lei. The duties of the Strategy Committee include formulating and revising the Group's future development strategies, carrying out procedures and enhancing the efficiency and quality of important decision making procedures. The Strategy Committee shall convene meetings to discuss important investment and financing matters.

During the year, the Group has not been involved in any corporate action that requires the involvement of the Strategy Committee.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on the compliance of the Model Code, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Committee Members

During the year ended 31 December 2013, the Board held 7 Board meetings. The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2013 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. Wang Zhenyu *(Note 1)*	1/7	–	–	–	0/2
Mr. Hung Wei-Pi, John	7/7	–	1/1	1/1	2/2
Mr. Ying Wei *(Note 1)*	1/7	–	–	–	0/2
Mr. Zhang Jianxing *(Note 1)*	1/7	–	–	–	0/2
Mr. Du Jinglei *(Note 1)*	1/7	1/2	–	–	0/2
Mr. Hu Yuming *(Note 1)*	1/7	1/2	–	–	0/2
Mr. Lin Lei *(Note 1)*	1/7	1/2	–	–	0/2
Mr. Zhang Jie *(Note 1)*	1/7	–	–	–	0/2
Ms. Hung Ying-Lien *(Note 2)*	6/7	–	–	–	1/2
Mr. Raymond N. Chang *(Note 3)*	6/7	–	1/1	1/1	0/2
Mr. Douglas Charles Stuart Fresco *(Note 2)*	5/7	–	–	–	0/2
Mr. Edward B. Matthew *(Note 2)*	5/7	–	–	–	0/2
Mr. Chang An-Li *(Note 2)*	6/7	–	–	–	0/2
Mr. Du Hai-Bo *(Note 2)*	6/7	1/2	–	1/1	2/2
Mr. Zhou Tai-Ming *(Note 2)*	5/7	1/2	1/1	1/1	0/2
Mr. Uang Chii-Maw *(Note 2)*	6/7	–	1/1	1/1	0/2
Mr. Hsu Ming Chyuan *(Note 2)*	6/7	–	–	–	0/2
Mr. Chih T. Cheung *(Note 2)*	5/7	1/2	1/1	–	0/2

Notes:

1. Mr. Wang Zhenyu, Mr. Ying Wei, Mr. Zhang Jianxing, Mr. Du Jinglei, Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Jie were appointed as Directors of the Company with effect from 28 August 2013.

2. Ms. Hung Ying-Lien, Mr. Douglas Charles Stuart Fresco, Mr. Edward B. Matthew, Mr. Chang An-Li, Mr. Du Hai-Bo, Mr. Zhou Tai-Ming, Mr. Uang Chii-Maw, Mr. Hsu Ming Chyuan and Mr. Chih T. Cheung resigned as directors of the Company with effect from 28 August 2013.

3. Mr. Raymond N. Chang resigned as director and chief executive officer of the Company with effect from 11 August 2013.

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2013. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 44 and 45.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Internal Controls

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, operational, and compliance controls and risk management function.

External Auditors and Auditors' Remuneration

During the year under review, the fees paid/payable to KPMG (the "**Auditor**") in respect of their audit services for the year 2013 amounted to approximately RMB2,800,000.

During the year under review, the performance of the Auditor has been reviewed by the Audit Committee and the Audit Committee recommended to the Board (which endorsed the view) that subject to shareholders' approval at the forthcoming annual general meeting the Auditor be re-appointed as the external auditor of the Company for 2014.

Company Secretary

The Company does not engage an external service provider as its company secretary. Mr. Liu Xiaohua, being the secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

Communications with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at "www.nfa360.com", where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's head office at Unit A, 9th Floor, Building 1, 100 Zixiu Road, Minhang District, Shanghai, the People's Republic of China. Enquiries are dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members of the Group are available at the meetings to answer any questions raised by shareholders.

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, 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' view.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: Unit A, 9th Floor, Building 1, 100 Zixiu Road, Minhang District, Shanghai, the People's Republic of China (For the attention of the Company Secretary)
Fax: 86-21-6405-6816
Email: gavin_liu@nfa360.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles of Association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com) immediately after the relevant general meetings.

The Directors are pleased to present their annual report for the year ended 31 December 2013 (the "Year") and the audited consolidated financial statements (the "Financial Statements") of the Group for the Year.

Group Reorganisation, Subsidiaries and Basis of Presentation

The Company was incorporated in the Cayman Islands on 15 May 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group reorganisation as detailed in section 4 headed "Corporate Reorganisation" in Appendix VI to the prospectus dated 17 February 2005 of the Company, in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of other companies comprising the Group on 13 February 2005.

Principal Activities

The Group focused on the construction of automotive chain service network in the Greater China region (the Group's service business) as well as the innovative production of environmentally friendly automotive lighting and automotive electronic power products (the Group's manufacturing business), with an aim to providing automobile consumers with products and services with premium performance-price ratio.

Details of the principal activities of the subsidiaries of the Company are set out in note 21 to the Financial Statements.

Results and Dividends

The consolidated results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 46. An analysis of turnover and segmental results for the Year by geographical and business segments is set out in note 6 to the Financial Statements.

The Directors do not recommend the payment of a final dividend for the Year (2012: Nil).

Property, Plant and Equipment

Details of the movements of property, plant and equipment of the Group during the Year are set out in note 16 to the Financial Statements.

Investment Properties

Details of the movements of investment properties of the Group during the Year are set out in note 18 to the Financial Statements.

Share Capital

Details of the issued share capital of the Company and its movements during the Year along with the relevant reasons are set out in note 31 to the Financial Statements.

Reserves

Movements of reserves of the Group and the Company on a consolidated basis are set out in note 32 to the Financial Statements.

Distributable Reserves

Under the Companies Law of the Cayman Islands, share premium amounting to approximately RMB668,949,000 is distributable to shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to settle its debts as they fall due in the ordinary course of business.

As at 31 December 2013, the reserve available for distribution to Shareholders of the Company amounted to approximately RMB233,624,000.

Closure of Register of Members

The register of members 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 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.

Directors

The Directors who held office during the Year and up to the date of this annual report were:

Executive Directors

Zhang Jianxing (appointed with effect from 28 August 2013)
Raymond N. Chang (resigned with effect from 11 August 2013)
Hung Ying-Lien (resigned with effect from 28 August 2013)
Douglas Charles Stuart Fresco (resigned with effect from 28 August 2013)
Edward B. Matthew (resigned with effect from 28 August 2013)

Non-executive Directors

Wang Zhenyu *(Chairman)* (appointed with effect from 28 August 2013)
Hung Wei-Pi, John *(Vice-chairman)* (re-designated from an executive Director and the chairman of the Board with effect from 28 August 2013)
Ying Wei (appointed with effect from 28 August 2013)
Du Jinglei (appointed with effect from 28 August 2013)
Hsu Ming Chyuan (resigned with effect from 28 August 2013)
Chang An-Li (resigned with effect from 28 August 2013)

Independent Non-executive Directors

Hu Yuming (appointed with effect from 28 August 2013)
Lin Lei (appointed with effect from 28 August 2013)
Zhang Jie (appointed with effect from 28 August 2013)
Du Hai-Bo (resigned with effect from 28 August 2013)
Zhou Tai-Ming (resigned with effect from 28 August 2013)
Uang Chii-Maw (resigned with effect from 28 August 2013)
Chih T. Cheung (resigned with effect from 28 August 2013)

Directors *(Continued)*

Biographical details of the Directors are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

In accordance with Article 87(1) of the Company's articles of association, Mr. Wang Zhenyu, Mr. Zhang Jianxing and Mr. Hu Yuming will retire by rotation at the forthcoming annual general meeting of the Company. All such Directors being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive directors an annual confirmation of his independence. The Company considers that all of its independent non-executive directors are independent.

Directors' Service Contracts

Each of Mr. Zhang Jianxing, Mr. Wang Zhenyu, Mr. Hung Wei-Pi, John, Mr. Ying Wei and Mr. Du Jinglei, has entered into a service agreement with the Company for a term of three years commencing from 28 August 2013, subject to retirement by rotation in accordance with the articles of association of the Company.

Pursuant to the respective letters of appointment of the independent non-executive directors, namely, Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Jie, each of them was appointed for a term of three years commencing from 28 August 2013, subject to retirement by rotation in accordance with the articles of association of the Company.

Directors' Service Contracts *(Continued)*

Save as disclosed above, none of the Directors had entered into service contracts with the Company which are not determinable by the Company within one year without compensation (other than statutory compensation).

Directors' Interests in Contracts

Save as disclosed in the section headed "Connected Transactions" in this report, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year.

Share Option Scheme

The Company conditionally adopted a share option scheme (the "Existing Scheme") on 13 February 2005 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Existing Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Existing Scheme became effective on 28 February 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Considering the Existing Scheme will expire on 12 February 2015 and the Company will be unable to grant Options to eligible participants upon such expiration, the Board proposed to simultaneously terminate the operation of the Existing Scheme and to approve and adopt a new share option scheme (the "New Scheme") at the annual general meeting to be held on 25 June 2014 so as to enable the Company to continue to grant options at the discretion of the Board at any time when appropriate to eligible participants as incentives and rewards for their contribution or potential contribution to the Group, subject to the Stock Exchange granting approval for the listing of and permission to deal in any Shares falling to be allotted and issued upon the exercise of options in accordance with the terms and conditions of the New Scheme. A summary of the principal terms of the New Scheme was included in the circular dated 30 April 2014 despatched to the Shareholders.

The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the Existing Scheme is 40,000,000 shares, representing 10% and 1.36% of the shares of the Company in issue as at the date of listing of the Company and as at the date of this annual report respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and may be issued under share options granted to each eligible participant in the Existing Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share Option Scheme *(Continued)*

The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in the 12-month period up to and including the date of the grant of share options in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' prior approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Existing Scheme. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum holding period or a performance target which must be achieved before a share option can be exercised.

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

As at 31 December 2013, options had been granted by the Company under the Existing Scheme which, if exercised in full, would entitle the grantees to subscribe for 3,400,000 shares. The total number of shares available for issue under the Existing Scheme (excluding share options already granted) is 30,645,000 shares, representing approximately 1.04% of the total issued share capital of the Company as at that date.

Share Option Scheme *(Continued)*

As at 31 December 2013, details of share options granted under the Existing Scheme are as follows:

Name of option holder	Date of grant	Exercise period	Exercise price (per share)	Closing price of share on date of grant (per share)	Number of underlying shares subject to options outstanding as at 1 January 2013	Number of underlying shares subject to options granted since 1 January 2013	Number of options exercised/ lapsed/ cancelled since 1 January 2013	Number of underlying shares subject to options outstanding as at 31 December 2013
Mr. Wu Kwan-Hong *Former Executive Director (Note 1)*	28 February 2005	1 January 2006 to 27 June 2013	HK$0.94	HK$0.94	3,400,000	–	3,400,000	–
Ms. Hung Ying-Lien *Former Executive Director (Note 2)*	28 February 2005	1 January 2006 to 12 February 2015 *(Note 3)*	HK$0.94	HK$0.94	3,400,000	–	–	3,400,000
Mr. Lu Yuan Cheng *Former Executive Director (Note 1)*	28 February 2005	1 January 2006 to 27 June 2013 *(Note 1)*	HK$0.94	HK$0.94	3,240,000	–	3,240,000	–
Total					10,040,000	–	6,640,000	3,400,000

Notes:

1. Mr. Wu Kuan-Hong and Mr. Lu Yuan Cheng ceased to be executive director of the Company with effect from 28 December 2012. The management positions of Mr. Wu and Mr. Lu were terminated by a subsidiary of the Company in accordance with the provisions of their contracts of employment. Pursuant to the Existing Scheme of the Company, Mr. Wu and Mr. Lu are entitled to exercise all or any of their options for a period of six months starting from 28 December 2012.

2. Ms. Hung Ying-Lien resigned as an executive Director and the chief financial officer of the company with effect from 28 August 2013 and was appointed as chief operating officer of the Group. The option granted to Ms. Hung Ying-Lien was not affected by her resignation as an executive Director and the chief financial officer of the Company.

3. None of the share option was exercised during the period from 1 January 2013 to 31 December 2013 and the remaining share options are exercisable during the period from 1 January 2014 to 12 February 2015 subject to such performance targets or conditions as determined by the Board.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2013, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or 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 in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

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)	5.75%

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 of the Company held by Sharp Concept Industrial Limited.

As at 31 December 2013, to the best knowledge of the Directors, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

So far as is known to the Directors and chief executives of the Company, as at 31 December 2013, the following persons (other than Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives	Total number of shares/ underlying shares under equity derivatives	Percentage of issued shares
Sharp Concept Industrial Limited	Beneficial owner	169,506,120 (L)	Nil	169,506,120 (L)	5.75%
Ms. Jin Xiao-Yan	Family interest *(Note 2)*	169,506,120 (L)	Nil	169,506,120 (L)	5.75%
CDH Fast Two Limited	Beneficial owner	1,262,564,333 (L)	1,627,015,893 (L) *(Note 3)*	2,889,580,226 (L)	98.03%
CDH Fast One Limited	Interest in a controlled corporation *(Note 3)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 4)*	2,889,580,226 (L)	98.03%
CDH Fund IV, L.P.	Interest in a controlled corporation *(Note 3)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 4)*	2,889,580,226 (L)	98.03%
CDH IV Holdings Company Limited	Interest in a controlled corporation *(Note 3)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 4)*	2,889,580,226 (L)	98.03%
China Diamond Holdings IV, L.P.	Interest in a controlled corporation *(Note 3)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 4)*	2,889,580,226 (L)	98.03%
China Diamond Holdings Company Limited	Interest in a controlled corporation *(Note 3)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 4)*	2,889,580,226 (L)	98.03%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Notes:

1. The letter "L" denotes a long position in the shares.

2. Ms. Jin Xiao-Yan is the wife of Mr. Hung Wei-Pi, John, a non-executive Director. Under the SFO, Ms. Jin is deemed to be interested in all the shares of the Company held by Mr. Hung Wei-Pi, John and by Sharp Concept Industrial Limited which in turn is wholly and beneficially owned by Mr. Hung Wei-Pi, John.

3. CDH Fast Two Limited entered into an investment agreement (the "Investment Agreement") with the Company on 25 June 2013 pursuant to which CDH Fast Two Limited agreed to subscribe for 1,262,564,333 new shares and convertible bonds in principal amount of US$48,685,000 (the "Convertible Bonds") issued by the Company. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); CDH Fund IV, L.P. (as the sole shareholder of CDH Fast One Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be interested in the shares of the Company. Transactions contemplated under the Investment Agreement were completed on 28 August 2013.

4. These represent the shares that may be issued to CDH Fast Two Limited upon the full conversion of the Convertible Bonds into the shares of the Company.

Save as disclosed above, as at 31 December 2013, the Directors are not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and 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, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Arrangements to Purchase Shares or Debentures

Save as disclosed above and under the section headed "Share Option Scheme", at no time during the Year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

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

Acquisition of 18.68% Equity Interest in New Focus Richahaus

For details, please see the section headed "Connected Transaction – Acquisition of 18.68% equity interest in New Focus Richahaus" below.

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, 13 September 2013 and 17 April 2014.

Connected Transaction

During 2013 and up to the date hereof, the following connected transactions were carried out by the Company and its subsidiaries pursuant to Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange. Such connected transactions are subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirements under the Listing Rules. The continuing connected transaction as disclosed below is also subject to the annual review requirement under the Listing Rules.

Connected Transaction *(Continued)*

Acquisition of 18.68% Equity Interest in New Focus Richahaus

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

Management Subscription

As disclosed above, on 28 August 2013, 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 dated 25 June 2013 entered into between the Company and Mr. Raymond N. Chang.

Supplemental Agreements to Equity Transfer Agreement Regarding Acquisition of 51% Equity Interest in Changchun Guangda

The Company and Ms. Gao Xiu Min ("Ms. Gao") entered into a supplemental agreement with effect from 29 January 2014 to amend the terms of the equity transfer agreement dated 17 July 2012 entered into between, among others, the Company and the Vendor. The amendments include the change of payment terms and the additional guarantee of future performance of Changchun Guangda Automobile Trading Co., Ltd. by Ms. Gao. For this purpose, Equity Interest as Collateral (as defined in the announcement of the Company dated 29 January 2014) will be transferred to the designated subsidiary of the Company by Ms. Gao to secure the performance of her guarantee. The transfer of Equity Interest as Collateral was completed on 19 February 2014.

Custom Accessories Sales Agreement (Continuing Connected Transaction)

On 23 April 2008, Shanghai New Focus Auto Parts Co., Ltd. (上海紐福克斯汽車配件有限公司) ("NFAP") and New Focus Light and Power Technology (Shanghai) Co., Ltd. (紐福克斯光電科技(上海)有限公司) ("NF Light & Power"), both being wholly-owned subsidiaries of the Company, entered into a sales agreement ("Custom Accessories Agreement") with Custom Accessories Asia Limited ("Custom Accessories"), which is 100% owned by Mr. Edward B. Matthew (a former Director of the Company) and his family members. Custom Accessories is therefore a connected person of the Company within the meaning of the Listing Rules and the transaction contemplated under the Custom Accessories Agreement constitutes continuing connected transaction of the Company. Under the Custom Accessories Agreement, which covered the period from 23 April 2008 to 31 December 2010, NFAP and NF Light & Power were to supply products to Custom Accessories. The prices were determined with reference to market conditions and on the basis that the terms and prices would not be less favourable to the Company/Group than those offered by other independent third parties for similar products. On 15 November 2010, the same parties to the Custom Accessories Agreement entered into the Renewed Custom Accessories Agreement whereby the terms of the Custom Accessories Agreement were renewed for a period of three years until 14 November 2013 and the new annual cap was set to be HK$25,000,000.

Connected Transaction *(Continued)*

Custom Accessories Sales Agreement (Continuing Connected Transaction) *(Continued)*

Mr. Edward B. Matthew resigned as executive Director of the Company with effect from 28 August 2013 but remains as a connected person of the Company under Rule 14A.11(2) of the Listing Rules. The sales of products to Custom Accessories and its related company by NFAP and NF Light & Power for the period 31 December 2013 amounted to approximately RMB2,226,000.

Confirmation from auditor

The Board has received a comfort letter from the auditor of the Company with respect to the above continuing connected transaction and the letter advised that for the Year:

(1) nothing has come to their attention that causes them to believe that the above continuing connected transaction has not been approved by the Board.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transaction was not in accordance with the pricing policies of the Group.

(3) nothing has come to their attention that causes them to believe that the transaction was not entered into in accordance with the relevant agreement governing such transactions.

(4) with respect to the aggregate amount of the continuing connected transaction, nothing has come to their attention that causes them to believe that the above continuing connected transaction has exceeded the maximum aggregate annual value disclosed in the previous announcement dated 15 November 2010 made by the Company.

Confirmation of Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the above continuing connected transaction which was subject to reporting and announcement requirements, and confirmed that:

(1) the transaction was entered into in the ordinary and usual course of the business of the Company;

(2) the transaction was conducted on normal commercial terms; and

(3) the transaction was conducted in accordance with the agreement governing the connected transaction on terms that are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

The Company confirms that it has complied with the disclosure requirements as set out in Chapter 14A of the Listing Rules in respect of the above continuing connected transaction.

Related Party Transaction

For 2013, the related party transactions set out in the Note 35 to the consolidated financial statements in this report (other than the above mentioned) are not "connected transactions" or "continuing connected transaction" for the Company. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

Directors' Interests in Contracts

Save for disclosed, the Directors have confirmed that so far as they are aware, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Sale, Purchase or Redemption of the Company's Listed Securities

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.

Major Customers and Suppliers

Sales to our five largest customers accounted for approximately 14.02% of the total revenue for the Year, whereas the largest customer accounted for 6.80%. Purchases from the five largest suppliers were less than 30% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Public Float

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being 25% of the issued share capital of the Company, as required under the Listing Rules.

Auditor

The financial statements have been audited by KPMG, who was formally appointed as the auditor of the Company effective from 28 August 2013. At the forthcoming annual general meeting, the Company will propose a resolution to re-appoint KPMG as the auditor of the Company.

On behalf of the Board
Wang Zhenyu
Chairman

Hong Kong, 28 March 2014

KPMG

Independent auditor's report to the shareholders of
New Focus Auto Tech Holdings Limited
(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 46 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 notes, comprising 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 International Financial Reporting Standards issued by the International Accounting Standards Board 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, 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 2013 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Turnover	*6*	**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	*7*	**(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	*8*	**(25,635)**	(28,138)
Loss before taxation	*9*	**(565,262)**	(374,376)
Income tax expenses	*11*	**48,412**	16,017
Loss for the year		**(516,850)**	(358,359)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	*15*	**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		**(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	*14*		
Basic (RMB cents)		**(31.60)**	(47.50)
Diluted (RMB cents)		**(31.60)**	(47.50)

The notes on pages 54 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	**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	*16*	**220,848**	247,137	219,100
Leasehold land and land use rights	*17*	**41,793**	43,053	17,688
Investment properties	*18*	**47,958**	47,141	46,764
Goodwill	*19*	**146,256**	302,244	285,992
Other intangible assets	*20*	**49,003**	261,210	336,275
Deferred tax assets	*29*	**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	*23*	**259,845**	293,834	310,469
Tax recoverable		**311**	113	1,260
Trade receivables	*24*	**180,238**	193,200	230,373
Deposits, prepayments and other receivables		**123,327**	149,758	98,275
Amounts due from related companies	*34*	**4,325**	8,800	11,064
Trading securities	*22*	**196**	243	243
Pledged time deposits	*33*	**22,529**	8,588	3,587
Cash and cash equivalents	*33*	**234,865**	133,726	326,840
		825,636	788,262	982,111
Current liabilities				
Bank borrowings, secured	*25*	**128,269**	249,307	175,549
Trade payables	*26*	**210,799**	241,484	215,701
Accruals and other payables		**218,129**	155,091	189,213
Amount due to a related party	*35*	**12,758**	10,998	1,000
Amounts due to non-controlling owners of subsidiaries	*35*	**7,900**	14,704	10,957
Renminbi-denominated bonds	*27*	**–**	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

As at 31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000	1 January 2012 RMB'000
Non-current liabilities				
Bank borrowings, secured	*25*	**10,658**	13,648	11,898
Renminbi-denominated bonds	*27*	**–**	–	197,879
Convertible bonds	*28*	**239,526**	129,881	122,261
Deferred tax liabilities	*29*	**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	*30*	**242,704**	59,443	58,256
Reserves	*31*	**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

These financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

Mr. Wang Zhenyu
Director

Mr. Zhang Jianxing
Director

The notes on pages 54 to 127 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	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		**–**	39	48
Interest in subsidiaries	*21*	**587,097**	529,382	489,630
		587,097	529,421	489,678
Current assets				
Deposits, prepayments and other receivables		**1,479**	451	2,077
Short-term loan to a subsidiary	*21*	**104,000**	104,000	167,000
Pledged time deposits		**–**	1,889	–
Cash and cash equivalents		**92,525**	8,485	144,965
		198,004	114,825	314,042
Current liabilities				
Bank borrowings, secured		**–**	3,143	6,300
Accruals and other payables		**5,405**	6,037	4,164
Renminbi-denominated bonds	*27*	**–**	199,372	–
Amounts due to subsidiaries	*21*	**3,859**	4,070	1,827
		9,264	212,622	12,291
Net current assets/(liabilities)		**188,740**	(97,797)	301,751
Total assets less current liabilities		**775,837**	431,624	791,429
Non-current liabilities				
Renminbi-denominated bonds	*27*	**–**	–	197,879
Convertible bonds	*28*	**239,526**	129,881	122,261
		239,526	129,881	320,140
NET ASSETS		**536,311**	301,743	471,289

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**31 December 2013 RMB'000**	31 December 2012 RMB'000	1 January 2012 RMB'000
CAPITAL AND RESERVES				
Share capital	*30*	**242,704**	59,443	58,256
Reserves		**293,607**	242,300	413,033
TOTAL EQUITY		**536,311**	301,743	471,289

These financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

Mr. Wang Zhenyu
Director

Mr. Zhang Jianxing
Director

The notes on pages 54 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31(i)(a))	Statutory reserve fund RMB'000 (Note 31(i)(b))	Re-organisation reserve RMB'000 (Note 31(i)(c))	Enterprise expansion fund RMB'000 (Note 31(i)(d))	Convertible bonds reserve RMB'000 (Note 31(i)(h))	Other RMB'000 (Note 31(i)(e))	Capital redemption reserve RMB'000 (Note 31(i)(f))	Exchange reserve RMB'000 (Note 31(i)(g)) (Restated)	Retained profits/ (accumulated losses) RMB'000 (Restated)	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	58,256	286,471	37,432	2,738	2,756	110,427	6,080	1,254	(10,986)	123,225	617,653	257,945	875,598
Loss for the year	–	–	–	–	–	–	–	–	–	(324,761)	(324,761)	(33,598)	(358,359)
Other comprehensive income	–	–	–	–	–	–	–	–	2,636	–	2,636	416	3,052
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	2,636	(324,761)	(322,125)	(33,182)	(355,307)
Transfer of reserves	–	–	3,511	–	–	–	–	–	–	(3,511)	–	–	–
Recognition of equity-settled share-based payments *(Note 36)*	–	–	–	–	–	–	150	–	–	–	150	–	150
Consideration issues	1,478	14,933	–	–	–	–	–	–	–	–	16,411	–	16,411
Repurchases and cancellation of shares *(Note 31(iii))*	(291)	(5,212)	–	–	–	–	–	291	–	(291)	(5,503)	–	(5,503)
Arising from acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	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 and 1 January 2013	59,443	296,192	40,943	2,738	2,756	110,427	6,230	1,545	(8,350)	(227,568)	284,356	241,332	525,688
Loss for the year	–	–	–	–	–	–	–	–	–	(446,700)	(446,700)	(70,150)	(516,850)
Other comprehensive income	–	–	–	–	–	–	–	–	3,033	–	3,033	–	3,033
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	3,033	(446,700)	(443,667)	(70,150)	(513,817)
Transfer of reserves	–	–	3,488	–	–	–	–	–	–	(3,488)	–	–	–
Issuance of shares *(Note 30)*	180,583	349,647	–	–	–	–	–	–	–	–	530,230	–	530,230
Recognition of equity-settled share-based payments *(Note 36)*	–	–	–	–	–	–	53	–	–	–	53	–	53
Consideration issues *(Note 32(i))*	2,678	23,110	–	–	–	–	–	–	–	–	25,788	–	25,788
Issuance of convertible bonds *(Note 28)*	–	–	–	–	–	57,775	–	–	–	–	57,775	–	57,775
Redeem of convertible bonds *(Note 28)*	–	–	–	–	–	(110,427)	–	–	–	(13,233)	(123,660)	–	(123,660)
Acquisition of additional interests in subsidiaries *(Note 32(ii))*	–	–	–	–	–	–	–	–	–	33	33	(9,080)	(9,047)
Disposal of a subsidiary *(Note 32(iii))*	–	–	–	–	–	–	–	–	–	–	–	809	809
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(144)	(144)
At 31 December 2013	242,704	668,949	44,431	2,738	2,756	57,775	6,283	1,545	(5,317)	(690,956)	330,908	162,767	493,675

The notes on pages 54 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Operating activities:		
Loss before income tax expense	**(565,262)**	(374,376)
Adjustments for:		
– Impairment of inventories	**24,073**	15,637
– Depreciation of property, plant and equipment	**52,964**	45,857
– Amortisation of leasehold land and land use rights	**1,260**	804
– Amortisation of other intangible assets	**–**	225
– Additional allowance for doubtful debts on trade receivables	**9,404**	13,879
– Additional allowance for doubtful debts on other receivables	**500**	1,214
– Impairment on goodwill	**154,696**	164,673
– Impairment on other intangible assets	**211,722**	123,288
– Impairment on property, plant and equipment	**1,006**	4,141
– Equity-settled share-based payments	**53**	150
– Interest income from bank deposits	**(2,268)**	(1,458)
– Loss on disposal of property, plant and equipment	**18,779**	150
– Fair value gain on investment properties	**(817)**	(377)
– Fair value loss on trading securities	**46**	–
– Interest expenses on bank borrowings	**16,371**	11,504
– Imputed interest on Renminbi-denominated bonds	**4,568**	9,014
– Imputed interest on convertible bonds	**4,696**	7,620
– Gain on change in fair value of contingent consideration payable for acquisition of subsidiaries	**(1,156)**	(3,281)
Operating cash flows before working capital changes	**(69,365)**	18,664
Decrease in inventories	**9,916**	27,725
Decrease in trade receivables	**3,558**	30,399
Increase in deposits, prepayments and other receivables	**25,931**	(51,742)
Decrease in amounts due from related companies	**4,475**	2,264
(Decrease)/increase in trade payables	**(30,685)**	6,404
Increase/(decrease) in accruals and other payables	**43,661**	(2,022)
Cash generated from operations	**(12,509)**	31,692
Income tax paid	**(17,231)**	(17,718)
Interest paid	**(28,277)**	(19,025)
Net cash used in operating activities	**(58,017)**	(5,051)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Investing activities		
Purchase of other intangible assets	**(30)**	(34)
Purchase of property, plant and equipment	**(57,058)**	(58,709)
Purchase of land use right	**–**	(346)
Proceeds from disposal of property, plant and equipment	**8,249**	6,509
Prepayments for acquisition of land use right, property, plant and equipment, and proposed acquisition of subsidiaries	**–**	(2,133)
Net cash outflow arising from acquisitions of subsidiaries	**–**	(84,041)
Considerations paid for acquisition of subsidiaries	**(17,866)**	(79,245)
Increase in pledged time deposits	**(13,941)**	(5,001)
Interest received	**2,268**	1,458
Net cash used in investing activities	**(78,378)**	(221,542)
Financing activities		
Proceeds from issue of shares and convertible bonds	**844,902**	–
Issue costs of shares and convertible bonds	**(21,952)**	–
Proceeds from new bank loans	**126,763**	299,069
Repayment of bank loans	**(250,622)**	(224,316)
Repayment of convertible bonds	**(246,668)**	–
Repayment of RMB-denominated bonds	**(200,000)**	–
Repayment of loan from non-controlling owners of subsidiaries	**(6,804)**	(6,957)
Advance of loan from non-controlling owners of subsidiaries	**–**	1,278
Advance from a related party	**1,760**	9,998
Repurchases of shares	**–**	(5,503)
Net cash outflow arising from acquisition of additional interests in subsidiaries	**(8,814)**	(37,240)
Dividend paid to non-controlling owner of a subsidiary	**(144)**	(2,705)
Net cash generated from financing activities	**238,421**	33,624
Net increase/(decrease) in cash and cash equivalents	**102,026**	(192,969)
Cash and cash equivalents at beginning of year	**133,557**	326,840
Effect of foreign exchange rate changes	**(718)**	(314)
Cash and cash equivalents at end of year	**234,865**	133,557
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**234,865**	133,726
Bank overdrafts	**–**	(169)
	234,865	133,557

The notes on pages 54 to 127 form part of these financial statements.

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 and the disclosure requirements of the Hong Kong Companies Ordinance.

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.

The consolidated financial statements were authorised for issue by the Board of Directors on 28 March 2014.

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of accounting

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets and liabilities, which have been elaborated in the accounting policies:

– Investment properties are measured at fair value.

– Trading securities are measured at fair value.

– Consideration payables are measured at fair value.

Details of the Group's accounting policies are set out below.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the currency of the primary economic environment in which the major entities of the Group operate. The functional currency of the Company is US dollar.

3. 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. 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 IAS 39 either in profit or loss or as change to other comprehensive income.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently 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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Goodwill *(Continued)*

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%

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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) Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(g) 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.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Other intangible assets *(Continued)*

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%

(h) 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 (or cash-generating unit) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) 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.

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.

(j) 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.

(k) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

(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.

3. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(k) Financial assets *(Continued)*

(iii) Impairment of financial assets (Continued)

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.

(l) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instrument issued by the Group *(Continued)*

(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 premiums. 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) 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.

(n) Operating 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.

(o) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) 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 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) 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 expensed when the services are rendered by the employees. The Group has no further payment obligation once the contributions have been paid.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(s) 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.

3. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(t) 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.

(u) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) 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.

(w) 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(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. Further details are set out in Note 19.

(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.

5. 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 6 (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 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	**Adjustment**	**As Restated**
	RMB'000	RMB'000	RMB'000
Cost of sales and services	1,003,715	103,006	1,106,721
Distribution costs	304,344	(103,006)	201,338

5. RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION *(Continued)*

(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	**Adjustment**	**As Restated**
	RMB'000	RMB'000	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)

5. RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION *(Continued)*

(c) Functional currency of the Company *(Continued)*

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)

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:

	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.

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

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

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

	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 (restated)	(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

6. *TURNOVER AND SEGMENT INFORMATION (Continued)*

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

	2013 RMB'000	2012 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 RMB'000	31 December 2012 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

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(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.

7. OTHER REVENUE AND GAINS AND LOSSES

	Notes	2013 RMB'000	2012 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	*18*	**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 subsidiaries	*39(b)*	**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.

8. FINANCE COSTS

	Notes	2013 RMB'000	2012 RMB'000
Interests on bank borrowings			
– within five years		**16,114**	11,283
– after five years		**257**	221
Interest on Renminbi-denominated bonds	*27*	**4,568**	9,014
Interest on convertible bonds (including imputed interest)	*28*	**4,696**	7,620
		25,635	28,138

9. LOSS BEFORE INCOME TAX EXPENSE

	2013 RMB'000	2012 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) *(note 10(a))*		
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.

10. DIRECTORS' REMUNERATION, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION

(a) Directors' remuneration

The directors' remuneration for the years ended 31 December 2013 and 2012 is set out below:

2013

Name of directors	Fees RMB'000	Salaries and other allowances RMB'000	Total RMB'000
Executive directors:			
Zhang Jianxing* (Chief Executive Officer)	–	–	–
Hung Ying-Lien&	–	1,046	1,046
Douglas Charles Stuart Fresco#	–	33	33
Edward B. Matthew#	–	33	33
Raymond N.Chang#	–	651	651
Non-executive directors:			
Wang Zhenyu* (Chairman)	–	–	–
Hung Wei-Pi, John* (Vice-chairman)	–	1,000	1,000
Ying Wei*	–	–	–
Du Jinglei*	–	–	–
Hsu Ming Chyuan#	–	40	40
Chang An-Li#	–	–	–
Independent non-executive directors:			
Hu Yuming*	33	–	33
Lin Lei*	33	–	33
Zhang Jie*	–	–	–
Du Hai-Bo#	56	–	56
Zhou Tai-Ming#	56	–	56
Chih T.Cheung#	42	–	42
Uang Chii-Maw#	56	–	56
	276	2,803	3,079

* appointed on 28 August 2013

\# Mr. Raymond N. Chang resigned on 11 August 2013, and the other directors resigned on 28 August 2013.

& The aggregated remuneration contains salary and other allowances paid/payable to Ms. Hung Ying-Lien being senior management as well as executive director before her resignation from the board on 28 August 2013.

10. DIRECTORS' REMUNERATION, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

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	–	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.

The remuneration of all directors were calculated based on their respective actual terms of office within this 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 during the year (2012: RMB2,000,000).

10. DIRECTORS' REMUNERATION, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

Two of the directors have waived or agreed to waive any emolument paid by the Group during the year (2012: None). The details are set below:

	2013 RMB'000	2012 RMB'000
Zhang Jianxing	400	–
Zhang Jie	33	–
Total	433	–

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 included three (2012: five) directors whose emolument are reflected in the analysis presented in Note 10(a) above.

The emoluments paid or payable to the remaining two non-director highest paid employees whose emoluments were less than HKD1,000,000 as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other allowances	997	–
Retirement scheme contributions	36	–
Total	1,033	–

10. DIRECTORS' REMUNERATION, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION *(Continued)*

(c) Senior management remuneration

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

	2013 Number of Individuals	2012 Number of Individuals
Nil to HKD1,000,000	**13**	4
HKD1,000,001 to HKD1,500,000	**2**	–
HKD1,500,001 to HKD2,000,000	**–**	1
HKD2,000,001 to HKD2,500,000	**–**	2
HKD2,500,001 to HKD3,000,000	**–**	1
HKD3,000,001 to HKD3,500,000	**–**	–
HKD3,500,001 to HKD4,000,000	**–**	–
HKD4,000,001 to HKD4,500,000	**–**	1
Total	**15**	9

11. INCOME TAX EXPENSES

(a) Amounts recognized in profit or loss

	2013 RMB'000	2012 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 *(Note 29)*		
– Origination and reversal of temporary differences, net	**(57,189)**	(33,143)
– Change in tax rate	**–**	131
	(57,189)	(33,012)
	(48,412)	(16,017)

11. INCOME TAX EXPENSES *(Continued)*

(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 coming 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 **RMB'000**	2012 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)

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company includes a loss of RMB265,122,000 (2012: RMB181,103,000) 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 2013 (2012: RMBNil). No interim dividend was declared in respect of the year ended 31 December 2013 (2012: RMBNil).

14. 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 **RMB'000**	2012 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)

	2013	2012
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

14. LOSS PER SHARE *(Continued)*

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 ("CDH CBs"), as described in note 28, since their exercise would result in a reduction in loss per share.

& Convertible bonds issued to the STIC Secondary Fund II, L.P. and STIC Korea Integrated-Technologies New Growth Engine Private Equity Fund ("STIC entities") ("STIC CBs"), as described in note 28, 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.

15. OTHER COMPREHENSIVE INCOME, NET OF TAX

2013

	Before tax amount RMB'000	**Tax expense RMB'000**	**Net of tax amount RMB'000**
Exchange differences on translating foreign operations	**3,033**	**–**	**3,033**

2012 (Restated)

	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange differences on translating foreign operations	3,052	–	3,052

16. *PROPERTY, PLANT AND EQUIPMENT*

The Group

	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 2013	**20,049**	**89,949**	**43,014**	**51,473**	**11,694**	**30,958**	**247,137**
Additions	**10,439**	**358**	**25,627**	**11,234**	**4,507**	**5,136**	**57,301**
Transfers upon completion	**(29,917)**	**–**	**22,573**	**–**	**–**	**7,344**	**–**
Disposals	**(382)**	**–**	**(18,558)**	**(3,975)**	**(2,368)**	**(1,745)**	**(27,028)**
Disposals of a subsidiary	**–**	**–**	**(405)**	**(318)**	**–**	**(83)**	**(806)**
Depreciation charge for the year	**–**	**(3,979)**	**(18,668)**	**(15,572)**	**(3,673)**	**(11,072)**	**(52,964)**
Impairment	**–**	**–**	**–**	**(392)**	**(1)**	**(355)**	**(748)**
Exchange realignment	**–**	**(1,139)**	**(385)**	**(219)**	**(1)**	**(300)**	**(2,044)**
Closing net carrying amount as at 31 December 2013	**189**	**85,189**	**53,198**	**42,231**	**10,158**	**29,883**	**220,848**

	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	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)
Impairment	–	–	(771)	–	(1,732)	(1,638)	(4,141)
Exchange realignment	12	716	356	114	14	80	1,292
Closing net carrying amount as at 31 December 2012	20,049	89,949	43,014	51,473	11,694	30,958	247,137

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	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 2013:							
Cost	189	105,166	101,061	124,611	23,660	80,748	435,435
Accumulated depreciation and impairment	–	(19,977)	(47,863)	(82,380)	(13,502)	(50,865)	(214,587)
	189	85,189	53,198	42,231	10,158	29,883	220,848

	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)
	20,049	89,949	43,014	51,473	11,694	30,958	247,137

Freehold land and buildings of the Group are located outside Hong Kong. Certain freehold land and buildings of the Group were pledge to secure the bank borrowings of the Group as detailed in Note 25.

17. LEASEHOLD LAND AND LAND USE RIGHTS

The Group

	2013	2012
	RMB'000	RMB'000
Net carrying amount:		
At 1 January	**43,053**	17,688
Additions	**–**	9,146
Acquisition of subsidiaries	**–**	17,023
Amortisation charge for the year	**(1,260)**	(804)
At 31 December	**41,793**	43,053
Cost	**46,716**	46,716
Accumulated amortisation	**(4,923)**	(3,663)
Net carrying amount	**41,793**	43,053

The Group's interests in leasehold land and land use rights are 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 25.

18. INVESTMENT PROPERTIES

The Group

		2013	2012
	Notes	**RMB'000**	RMB'000
FAIR VALUE			
At at 1 January		**47,141**	46,764
Change in fair value	*7*	**817**	377
At at 31 December		**47,958**	47,141

18. INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2013, the investment properties were revalued at RMB47,958,000 (2012: RMB47,141,000) 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 RMB21,302,000 (2012: RMB20,975,000) and RMB26,656,000 (2012: RMB26,166,000) are held under long and medium terms respectively.

The valuation was arrived of by reference to (i) market evidence of transaction price for similar properties, (ii) current rent of 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 34.

Certain investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 25.

19. GOODWILL

The Group

	RMB'000
Net carrying amount:	
At 1 January 2012	285,992
Acquisition of subsidiaries	180,899
Impairment	(164,673)
Exchange realignment	26
At 31 December 2012 and 1 January 2013	302,244
Impairment	(154,696)
Exchange realignment	(1,292)
At 31 December 2013	146,256

19. GOODWILL *(Continued)*

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:

	31 December 2013 RMB'000	31 December 2012 RMB'000	1 January 2012 RMB'000
Provision of automobile repair, maintenance and restyling services:			
Changchun Guangda Automobile Trading Co., Ltd	**102,337**	142,804	–
Beijing Aiyihang Auto Service Ltd.	**43,919**	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
Exchange realignment	**–**	(26)	(52)
	146,256	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	**146,256**	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 five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates of 0–3% (2012: 0-3%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

19. GOODWILL *(Continued)*

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

	31 December 2013 %	31 December 2012 %	1 January 2012 %
Gross margin	**15-47**	15-58	22-53
Growth rate within the forecast period	**4-24**	0-32	14-50
Discount rate	**17-24**	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 RMB154,696,000 (2012: 164,673,000), RMB211,722,000 (2012: 123,288,000) (Note 20) and RMBNil (2012: RMB4,141,000) (Note 16) respectively in order to state the carrying values to their recoverable amounts as at the end of reporting period.

20. OTHER INTANGIBLE ASSETS

The Group

	Notes	Trademarks RMB'000	Tradenames RMB'000	Technical know-how RMB'000	Total RMB'000
At 1 January 2012		292,748	43,527	–	336,275
Additions		34	–	–	34
Amortisation charge for the year		(225)	–	–	(225)
Impairment during the year		(123,288)	–	–	(123,288)
Acquisition of subsidiaries		43,194	–	4,924	48,118
Exchange realignment		296	–	–	296
At 31 December 2012 and 1 January 2013		212,759	43,527	4,924	261,210
Additions		30	–	–	30
Amortisation charge for the year		–	–	–	–
Impairment during the year		(164,633)	(42,443)	(4,646)	(211,722)
Exchange realignment		(237)	–	(278)	(515)
At 31 December 2013		47,919	1,084	–	49,003
At 31 December 2013:					
Cost		335,054	43,527	4,646	383,227
Accumulated amortisation and impairment		(287,135)	(42,443)	(4,646)	(334,224)
Net carrying amount		47,919	1,084	–	49,003
At 31 December 2012:					
Cost		338,062	43,527	4,924	386,513
Accumulated amortization and impairment		(125,303)	–	–	(125,303)
Net carrying amount		**212,759**	**43,527**	**4,924**	**261,210**

20. OTHER INTANGIBLE ASSETS *(Continued)*

Included in the above intangible assets as at 31 December 2013 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 net carrying amount of RMB47,919,000 (2012: RMB211,939,000) 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 net carrying amount of RMB1,084,000 (2012: 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.

The Group disposed the trademarks of Beforly during 2013, of which held trademarks with definite useful life.

21. INTERESTS IN SUBSIDIARIES

The Company

	2013 **RMB'000**	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**164,066**	164,066	164,066
Amounts due from subsidiaries	**794,378**	509,735	325,564
	958,444	673,801	489,630
Less: Impairment loss on amounts due from subsidiaries	**(371,347)**	(144,419)	–
	587,097	529,382	489,630

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

As at 31 December 2013, an accumulated impairment loss on amounts due from subsidiaries of RMB371,347,000 (2012: RMB144,419,000) was recognised for the carrying amount of the amounts due from subsidiaries in the aggregate amount of RMB526,054,000 (2012: RMB264,431,000) (before deducting the impairment losses) because the relevant subsidiaries had suffered losses during the year.

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2013 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	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")	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")	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$61,300,000 Registered capital	US$61,300,000	100%	Manufacture and sale of automobile accessories The PRC
Shanghai New Focus Auto Repair Service Co., Ltd.	The PRC 21 December 2000	Limited liability company	RMB83,500,000 Registered capital	RMB83,500,000	100%	Automobile repair, maintenance and restyling services; sales trading 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
New Focus Richahaus Co. Ltd. ("New Focus Richahaus")	Taiwan 15 September 2006	–	NT$202,574,000 Share capital	NT$202,574,000	100%	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	59%	Manufacture and sale of automobile accessories The PRC
Beijing Aiyihang Auto Service Ltd.	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

21. INTERESTS IN SUBSIDIARIES *(Continued)*

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
Shenzhen Yonglonghang Auto Service Ltd. ("Shenzhen Yonglonghang")	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 ("Hubei Autoboom")	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 ("Shanghai Astrace")	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 ("IPO Automotive")	Taiwan 8 June 2012	–	NT$40,000,000 Share capital	NT$40,000,000	100%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan
Changchun Guangda Automobile Trading Co., Ltd. ("Changchun Guangda")	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.

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

	31 December 2013 RMB'000	31 December 2012 RMB'000	1 January 2012 RMB'000
Raw materials	**20,782**	23,162	32,339
Work-in-progress	**18,939**	28,000	29,571
Finished goods	**17,409**	29,104	18,228
Merchandise goods	**202,715**	213,568	230,331
	259,845	293,834	310,469

24. *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 9)*	**9,404**	13,879
Bad debts written off	**(1,154)**	–
At end of year	**23,167**	14,917

24. TRADE RECEIVABLES *(Continued)*

(ii) *(Continued)*

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

24. TRADE RECEIVABLES *(Continued)*

(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.

25. BANK BORROWINGS, SECURED

The Group

	31 December 2013 RMB'000	31 December 2012 RMB'000	1 January 2012 RMB'000
Bank loans	**138,927**	262,786	187,447
Bank overdrafts	**–**	169	–
	138,927	262,955	187,447
Bank borrowings are repayable as follows:			
On demand or within one year	**128,269**	249,307	175,549
After one year but within two years	**1,425**	1,629	1,210
After two years but within five years	**3,494**	4,872	10,688
After five years	**5,739**	7,147	–
	138,927	262,955	187,447
Amount due within one year included in current liabilities	**(128,269)**	(249,307)	(175,549)
Amount included in non-current liabilities	**10,658**	13,648	11,898

As at 31 December 2013 and 2012, the banking facilities were secured by (i) the Group's certain freehold land and buildings with an aggregate net carrying amount of RMB76,700,000 (2012: RMB81,118,000); (ii) the Group's certain leasehold land and land use rights of RMB17,132,000 (2012: RMB17,195,000); (iii) the Group's certain investment properties of 40,958,000 (2012: RMB40,366,000); (iv) personal guarantees from a director of the Company and a director of a subsidiary, and their spouses; (v) pledged time deposits of RMB22,529,000 (2012: RMB8,588,000); and (vi) corporate guarantees of the Company and subsidiaries.

25. BANK BORROWINGS, SECURED *(Continued)*

Most of the bank loans bear fixed interest rates ranging from 2.29% to 4.8% per annum (2012: 2.31% to 7.216% per annum).

	31 December 2013 RMB'000	31 December 2012 RMB'000	1 January 2012 RMB'000
Bank borrowings of the Group were denominated in RMB	**72,784**	222,030	162,707
United States dollars ("US$")	**36,581**	3,143	6,301
Taiwan dollars ("NTD")	**29,562**	37,782	18,439
	138,927	262,955	187,447

26. 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.

27. RENMINBI-DENOMINAED BONDS

The Group and the Company

	Notes	**2013** **RMB'000**	2012 RMB'000
At beginning of year		**202,185**	200,692
Imputed interest expense	*8*	**4,568**	9,014
Interest payment during the year		**(6,753)**	(7,521)
Less: interest payable included in other payables under current liabilities		**–**	(2,813)
Repaid during the year		**(200,000)**	–
At end of year		**–**	199,372

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 4.60% per annum.

On 28 August 2013, the Company redeemed all the bonds.

28. CONVERTIBLE BONDS

The Group and the Company

	CDH CBs	STIC CBs	Total
Face value of CBs upon issuance, net of issue cost	292,720	232,087	
Less: equity component	(57,775)	(110,427)	
Liability component on initial recognition	234,945	121,660	
Liability component at 1 January 2012	–	122,261	122,261
Imputed interest expenses	–	7,620	7,620
Liability component at 31 December 2012 and 1 January 2013	–	129,881	129,881
Imputed interest expenses	7,980	5,305	13,285
Redemption of STIC CBs	–	(123,008)	(123,008)
Gain on early redemption	–	(8,589)	(8,589)
Exchange realignment	(3,399)	(3,589)	(6,988)
Liability component at 31 December 2013	239,526	–	239,526

CDH CBs

In August 2013, the Company issued redeemable convertible bonds (the "CDH CBs") in the principal amount of US$48,685,000(equivalent to RMB300,226,000) to CDH Fast Two Limited. The net proceeds of the CDH CBs available to the Group was RMB292,720,000, after net-off of issue costs of RMB7,506,000. The coupon interest rate of CDH CBs is 5%.The maturity date of the CDH CBs will be the date falling on the fifth anniversary of the issue date (i.e. August 2018) and the CDH CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$0.2328 per shares, subject to certain anti-dilutive adjustments.

Unless there was redemption, cancellation or conversion, the CDH CBs can be redeemed on the maturity date only by the Company at the price equal to principal amount plus premium compounded at 5% from each anniversary of the issue date to the maturity date.

If the shares are no longer listed or traded in stock exchange, bondholders can redeemed all CDH CBs at early redemption amount on the twentieth business day after the Company issue the relevant redemption rules.

28. CONVERTIBLE BONDS *(Continued)*

CDH CBs *(Continued)*

The fair value of the liability component of the CDH CBs upon issuance was calculated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for non-convertible borrowing of 9.72% per annum based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers. The residual amount, representing the value of the equity component, is included in convertible bonds reserve net of deferred income tax (where applicable) under shareholders' equity. The initially recognised liability component and equity component of the CDH CBs amounted to RMB234,945,000 and RMB57,775,000 respectively after net-off of the issue costs on a pro-rata basis.

STIC CBs

In December 2011, the Company issued redeemable convertible bonds (the "STIC CBs") in the principal amount of US$38,201,001 (equivalent to RMB241,999,000) to STIC entities. 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 STIC CBs), at any time during the period commencing from the three months after date of issue of STIC CBs to the maturity date of the CBs (i.e. December 2015).

The fair value of the liability component of the STIC CBs upon issuance was 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.

On 28 August 2013, the company redeemed all the STIC CBs with a consideration of US$40,000,000 (equals to RMB246,668,000) according to the revised terms entered into with STIC entities on 25 June 2013. This consideration paid is allocated to the liability component with the amount of RMB123,008,000 and the equity component with the remainder, using the method in consistency with that used initially to allocate the net proceeds of the STIC CBs on the issuance date.

29. *DEFERRED TAX*

The Group

The movements in deferred tax assets/(liabilities) are as follows:

	Tax losses RMB'000	Accrued expenses RMB'000	Deferred income RMB'000	Provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	–	190	–	–	32	222
Recognised in profit or loss	1,589	296	–	710	–	2,595
Exchange realignment	29	5	–	8	–	42
At 31 December 2012 and 1 January 2013	1,618	491	–	718	32	2,859
Recognised in profit or loss	–	2,314	6,377	3,846	–	12,537
Exchange realignment	(90)	(25)	–	(42)	–	(157)
At 31 December 2013	1,528	2,780	6,377	4,522	32	15,239

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.

As at 31 December 2013, the Group had unrecognised tax losses carried forward of RMB187,521,000 (2012: RMB41,247,000) as the directors are of the view that it was not probable that such benefit of tax losses would be realised before they expire. The expiry in years of the unrecognised tax losses is as below:

	2013 RMB'000	2012 RMB'000 (Restated)
Year of expiry of PRC entities		
2013	**–**	1,570
2014	**4,687**	4,687
2015	**454**	454
2016	**277**	277
2017	**34,259**	34,259
2018	**125,415**	–
	165,092	41,247

29. DEFERRED TAX *(Continued)*

	2013 RMB'000	2012 RMB'000
Year of expiry of Taiwan entities		
2023	**22,429**	–

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 2012	(81,902)	(4,430)	(192)	(86,524)
Acquisition of subsidiaries	(11,679)	–	–	(11,679)
Effect of change in tax rate	(131)	–	–	(131)
Recognised in profit or loss	30,629	(76)	–	30,553
Exchange realignment	(11)	–	–	(11)
At 31 December 2012 and 1 January 2013	(63,094)	(4,506)	(192)	(67,792)
Recognised in profit or loss	49,970	(5,318)	–	44,652
Exchange realignment	49	–	–	49
At 31 December 2013	(13,075)	(9,824)	(192)	(23,091)

The above recognised deferred tax assets and liabilities cannot be set off.

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 RMB8,717,000 at 31 December 2013 (2012: RMB12,825,000).

30. SHARE CAPITAL

	2013 Number of shares '000	2013 Amount HK$'000	2012 Number of shares '000	2012 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**6,000,000**	**600,000**	2,000,000	200,000

	2013 Number of shares '000	2013 Amount HK$'000	2013 Amount RMB'000	2012 Number of shares '000	2012 Amount HK$'000	2012 Amount RMB'000
Issued and fully paid:						
At beginning of year	**591,303**	**59,130**	**59,443**	576,717	57,672	58,256
Consideration issues *(Note (i))*	**33,119**	**3,312**	**2,678**	18,226	1,822	1,478
Issuance of shares *(Note (ii))*	**2,323,235**	**232,324**	**180,583**			
Repurchases and cancellation of shares *(Note (iii))*	**–**	**–**	**–**	(3,640)	(364)	(291)
At end of year	**2,947,657**	**294,766**	**242,704**	591,303	59,130	59,443

Notes:

(i) The Company issued 33,119,000 ordinary shares (2012: 18,226,000) as consideration for acquisition of subsidiaries during prior years.

(ii) On 28 August 2013, upon the completion of various agreements entered into with the investors or the placing agent on 25 June 2013, the Company placed 1,008,804,000 new ordinary shares to the placees, issued 51,866,667 new ordinary shares to Ms. Wong Chin-wei, the spouse of Mr. Raymond N. Chang, a former director of the Company, and issued 1,262,564,333 new ordinary shares to CDH Fast Two Limited, the current controlling shareholder. All the new ordinary shares are priced at HK$0.30 per share.

(iii) 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 ordinary shares of HK$0.1 each at a total consideration after expenses of RMB5,503,000. These shares were cancelled after repurchases during the year.

31. 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

31. RESERVES *(Continued)*

(i) Reserves of the Group *(Continued)*

(c) Reorganisation reserve mainly represents (Continued)

(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 Law of the People's Republic of China on Chinese-foreign Equity Joint Venture 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.

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 3(s).

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) Capital redemption reserve

Capital redemption reserve occurs when shares of a company are redeemed or purchased wholly out of the company's profits, the amount by which the company's issued share capital is diminished on cancellation of the shares redeemed or purchased, shall be transferred to the capital redemption reserve.

If the shares are redeemed or purchased wholly or partly out of the proceeds of a fresh issue, and the aggregate amount of those proceeds is less than the aggregate nominal value, the amount of the difference shall be transferred to the capital redemption reserve.

(g) 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 3(q).

(h) 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 3(I)(iii).

31. RESERVES *(Continued)*

(ii) Reserves of the Company

	Notes	Share premium RMB'000	Contributed surplus RMB'000	Convertible bonds reserve RMB'000	Other RMB'000	Exchange reserve (restated) RMB'000	Accumulated losses (restated) RMB'000	Total RMB'000
At 1 January 2012		286,471	84,242	110,427	1,714	(3,109)	(66,712)	413,033
Total comprehensive income for the year		–	–	–	–	499	(181,103)	(180,604)
Recognition of equity-settled share-based payments	36	–	–	–	150	–	–	150
Consideration issues		14,933	–	–	–	–	–	14,933
Repurchases and cancellation of shares		(5,212)	–	–	291	–	(291)	(5,212)
At 31 December 2012 and 1 January 2013		296,192	84,242	110,427	2,155	(2,610)	(248,106)	242,300
Total comprehensive income for the year		–	–	–	–	9,504	(265,122)	(255,618)
Recognition of equity-settled share-based payments	36	–	–	–	53	–	–	53
Issuance of shares	30	349,647	–	–	–	–	–	349,647
Issuance of convertible bonds	28	–	–	57,775	–	–	–	57,775
Consideration issues	32	23,110	–	–	–	–	–	23,110
Redeem of convertible bonds	28	–	–	(110,427)	–	–	(13,233)	(123,660)
At 31 December 2013		668,949	84,242	57,775	2,208	6,894	(526,461)	293,607

32. ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(i) Business combinations

There is no material acquisition during 2013.

Hubei Autoboom

In September 2011, the Group acquired 51% equity interest in Hubei Autoboom at an initial consideration of RMB87,258,450. The final consideration was determined at RMB83,977,023 during 2013. On 18 February 2013, the Group and the vendors of 49% equity interest in Hubei Autoboom entered into a supplemental agreement to amend the terms of the method of outstanding consideration payment of a sum of RMB27,621,178 as followings:

- 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.

Above said sum of RMB4,000,000 has been settled and the new shares have been issued during 2013.

IPO Automotive

In November 2012, the Group acquired 100% equity interest of IPO Automotive with an initial consideration of NTD210,000,000 (RMB equivalent: 45,444,000), subject to adjustment for the achievement of profit targets for 2012 and 2013 respectively. During 2012, NTD72,000,000 has been paid by the Group. During 2013, a payment of NTD33,000,000 has satisfied by the Group due to achievement of 2012 profit target, of which NTD22,500,000 in cash and NTD10,500,000 (RMB equivalent: 2,165,286) by the allotment and issue of 3,369,376 ordinary shares of the Company at issue price of HK$0.804.

The remaining outstanding consideration for the acquisition of IPO Automotive of NTD105,000,000 (RMB equivalent: 21,724,500) has been reversed as fair value change of consideration payable as a result of possible failure to achieve 2013 profit target as specified in the acquisition agreement.

Resulting from the consideration shares issued for Hubei Autoboom and IPO Automotive mentioned above, the share capital and share premium of the Group have been increased by RMB2,678,000 and RMB23,110,000 respectively.

Shanghai Astrace

In June 2011, the Group acquired 51% equity interest in Shanghai Astrace with a capped consideration of RMB64,260,000. The final consideration has been fixed at the capped amount in July 2013 due to achievement of profit target for the period from 1 July 2011 to 20 June 2012.

32. *ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (Continued)*

(i) Business combinations *(Continued)*

Shenzhen Yonglonghang

In November 2009, the Group acquired 51% equity interest in Shenzhen Yonglonghang with an initial consideration of RMB25,245,000, subject to adjustment for the achievement of profit targets for 2010, 2011 and 2012. In June 2012, the Group further purchased the remaining 49% equity interest with a consideration of RMB37,240,000. All the above considerations have been settled through a subsidiary of the Company afterwards. In July 2013, the consideration for 51% equity interest has been fixed at RMB25,618,629 as a result of achievement of profit targets for the relevant periods.

Changchun Guangda

In October 2012, the Group acquired 51% equity interest in Changchun Guangda for a total estimated nominal consideration of approximately RMB198,900,000. As at 31 December 2013, the final consideration was estimated as the capped amount of RMB198,900,000 and the outstanding payment of RMB92,820,000 was recorded in current liabilities. The Group entered into a supplemental agreement on 28 January 2014 with the vendor of 49% equity interest in Changchun Guangda, Mrs. Gao Xiumin, to revise the methods of settlement of the consideration subsequently. Details please refer to note 41.

(ii) Acquisition of non-controlling interest ("NCI")

In March 2013, the Group acquired additional 18.68% equity interest in New Focus Richahaus for NTD42,029,326 in cash, increasing its ownership from 81.21% to 100%. The Group recognized a decrease in NCI of RMB9,080,000 and an increase of RMB33,000 in retained earnings.

(iii) Disposal of a subsidiary

On 20 April 2013, the Group disposed all the 91% equity interest in a subsidiary, New Focus (Chengdu) Automobile Service Co., Ltd.

33. *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

	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents were denominated in:			
RMB	**193,039**	91,203	156,411
US$	**31,880**	12,804	150,205
HK$	**2,246**	2,175	3,614
NTD	**7,700**	27,544	16,576
Others	**–**	–	34
	234,865	133,726	326,840
Pledged time deposits were denominated in:			
RMB	**20,648**	5,180	1,282
US$	**–**	1,889	1,260
HK$	**–**	–	–
NTD	**1,881**	1,519	1,045
	22,529	8,588	3,587

The Company

As at 31 December 2013 and 2012, most of the cash and cash equivalents and pledged time deposits of the Company were denominated in US$ and RMB.

34. COMMITMENTS

(a) Capital commitments

	31 December 2013 RMB'000	31 December 2012 RMB'000
Capital expenditure in respect of acquisition project, property, plant and equipment:		
– Contracted but not provided for	**–**	41,545
– Authorized but not contracted for	**–**	3,093
	–	44,638
Other commitment		
Acquisition of subsidiaries	**–**	2,000

(b) Operating lease commitments

As at the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2013 RMB'000	2012 RMB'000
Within 1 year	**62,530**	54,643
Over 1 year but within 5 years	**116,075**	140,605
Over 5 years	**28,287**	71,738
	206,892	266,986

34. COMMITMENTS *(Continued)*

(b) Operating lease commitments *(Continued)*

The Group as lessor

As at 31 December 2013 and 2012, the Group leased out its investment property under operating leases.

As at the end of the reporting period, the total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2013 RMB'000	2012 RMB'000
Within 1 year	**1,361**	3,893
Over 1 year but within 5 years	**4,807**	7,774
Over 5 years	**3,572**	4,972
	9,740	16,639

35. 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) Transactions with related parties

During the year and in the ordinary course of business, the Group had the following material transactions with related companies which are not member of the Group:

	2013 RMB'000	2012 RMB'000
Sales of goods to Auto Make	**2,950**	9,524
Purchase of goods from Auto Make	**489**	–
Sales of goods to Custom Accessories	**983**	5,153
Sales of goods to Custom Accessories Europe	**1,243**	1,370

Sales of goods were made at the Group's usual list prices discounted to reflect the quantity of purchase and the relationship between the parties.

The equity interest of Auto Make (previously known as "XTC Business Management") 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.

35. *RELATED PARTY TRANSACTIONS* *(Continued)*

(a) Transactions with related parties *(Continued)*

The Custom Accessories and Custom Accessories Europe are held by Mr. Matthew who was the Executive director of the Group until 28 August 2013. The transactions in 2013 only include sales of goods to them before 28 August 2013.

At the end of 2013, a non-controlling owner of a subsidiary granted the Company collateral of creditor amounting to RMB6,120,850 (2012: Nil) with his own properties.

(b) Amounts due from related parties

As at the end of the reporting period, the group had the following material account receivable balance with its related parties:

	2013	2012
	RMB'000	RMB'000
Auto Make	**2,773**	7,989
Others	**1,459**	811
	4,232	8,800

The highest amount due from Auto Make during 2013 reached RMB8,555,000 (2012: RMB12,694,000).

(c) Amounts due to a related party

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

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

As at 31 December 2013 and 2012, the amounts due to non-controlling owners of subsidiaries are unsecured, interest-free and repayable on demand.

(e) Transaction with key management personnel

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).

36. *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.

36. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The Group amortises the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of RMB53,000 was charged as an equity-settled share-based payment (2012: RMB150,000) to profit or loss for the year.

The number of the share options as at 31 December 2013 is 3,400,000 (31 December 2012 and 1 January 2012: 10,040,000).

At the end of reporting period and the date of approval of these financial statements, the Company had 3,400,000 (2012: 10,040,000) share options outstanding under the Scheme, which represented 0.12% (2012: 1.7%) of the Company's shares in issue as at 31 December 2013. Of the total number of options outstanding at the end of the reporting period 2,380,000 (2012: 6,920,000) 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 3,400,000 (2012:10,040,000) additional ordinary shares of the Company and additional share capital of RMB267,000 (2012: RMB850,000) and share premium of RMB2,245,000 (2012: RMB7,142,000) (before issue expenses and transfer from share options reserve).

Share options outstanding as at 31 December 2013 and 2012 have the following expiry dates and exercise prices:

2013

		Share options		
Expiry date	**Exercise price HK$ per share**	**granted to directors '000**	**granted to employees '000**	**Total '000**
12 February 2015	**0.94**	**3,400**	**–**	**3,400**
Weighted average exercise price (HK$)		**0.94**	**–**	**0.94**

2012

		Share options		
Expiry date	Exercise price HK$ per share	granted to directors '000	granted to employees '000	Total '000
12 February 2015	0.94	10,040	–	10,040
Weighted average exercise price (HK$)		0.94	–	0.94

37. 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 and the CDH CBs as disclosed in Notes 25 and 28, respectively; (ii) cash and cash equivalents and pledged time deposits in Note 33; (iii) equity attributable to owners of the Company, comprising share capital disclosed in Note 30 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:

	2013 **RMB'000**	2012 RMB'000
Debts	**378,453**	592,208
Cash and cash equivalents and pledged time deposits	**(257,394)**	(142,314)
Net debt position	**121,059**	449,894
Equity attributable to owners of the Company	**330,908**	284,356
Net debt to equity ratio	**36.6%**	158.2%

38. 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 6% (2012: 9%) and 21% (2012: 24%) 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.

38. *FINANCIAL RISK MANAGEMENT* *(Continued)*

(b) Liquidity risk *(Continued)*

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
2013						
Bank borrowings, secured	**138,927**	**155,846**	**145,304**	**1,623**	**3,204**	**5,715**
Trade payables	**210,799**	**210,799**	**210,799**	**–**	**–**	**–**
Other payables	**161,622**	**161,622**	**161,622**	**–**	**–**	**–**
Convertible bonds	**239,526**	**383,173**	**–**	**–**	**383,173**	**–**
Amount due to a related party	**12,758**	**12,758**	**12,758**	**–**	**–**	**–**
Amounts due to non-controlling owners of subsidiaries	**7,900**	**7,900**	**7,900**	**–**	**–**	**–**
Total	**771,532**	**932,098**	**538,383**	**1,623**	**386,377**	**5,715**
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

38. *FINANCIAL RISK MANAGEMENT (Continued)*

(b) Liquidity risk *(Continued)*

The Company

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000
2013					
Other payables and amounts due to subsidiaries	**9,263**	**9,263**	**9,263**	**–**	**–**
Convertible bonds	**239,526**	**383,173**	**–**	**–**	**383,173**
	248,789	**392,436**	**9,263**	**–**	**383,173**
Financial guarantees issued maximum amount guaranteed	**–**	**–**	**36,581**	**–**	**–**
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	–	–

38. *FINANCIAL RISK MANAGEMENT (Continued)*

(c) Interest rate risk

The Group's fair value interest-rate risk mainly arises from liability component of CDH CBs as disclosed in Notes 28. Most of bank borrowings were issued at fixed rates which expose the Group to fair value 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 2013 by RMB83,160 (2012: decrease/increase profit and retained profits by RMB1,971,000). 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 Note 25.

(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 is also exposed to foreign currency exchange risk arising from the cash and cash equivalents denominated in US$.

The following table details the Group'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

	2013	2012
	US$'000	US$'000
Trade and other receivables	**46,430**	10,631
Cash and cash equivalents and pledged time deposits	**5,224**	2,338
Bank borrowings	**(6,000)**	(500)
Overall net exposure	**45,654**	12,469

38. *FINANCIAL RISK MANAGEMENT* *(Continued)*

(d) Currency risk *(Continued)*

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	2013 Increase in foreign exchange rate	2013 Effect on loss for the year and accumulated losses RMB'000	2013 Effect on other components of equity RMB'000	2012 Increase in foreign exchange rate	2012 Effect on loss for the year and accumulated losses RMB'000	2012 Effect on other components of equity RMB'000
US$	**5%**	**10,438**	**–**	5%	3,941	–

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 2012.

(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 2013 and 2012.

38. *FINANCIAL RISK MANAGEMENT* *(Continued)*

(f) Fair values estimation

Save as the contingent considerations payables as detailed in Notes 32 and 39, 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, 25, 27 and 28.

(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 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.

39. *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 2013 and 2012 may be categorised as follows:

	2013		2012	
	Carrying value RMB'000	**Fair value RMB'000**	Carrying value RMB'000	Fair value RMB'000
Financial assets				
– Trading securities, at fair value	**196**	**196**	243	243
– Loans and receivables (including cash and cash equivalents and pledged time deposits), at amortised cost	**507,991**	**506,998**	418,619	417,333
Financial liabilities				
– Contingent consideration payables, at fair value	**–**	**–**	105,377	105,377
– Financial liabilities, at amortised cost	**771,007**	**771,007**	936,643	936,643

(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. The directors are of the opinion that there are no reasonably possible alternative assumptions to the inputs in the fair value measurement.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities.

Level 2: fair values measured using quoted prices in active markets for similar financial assets or liabilities, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Fair value measurements as at 31 December 2013 using		
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement:			
– Contingent consideration payables	**–**	**–**	**–**
– Trading securities	**196**	**–**	**–**

	Fair value measurements as at 31 December 2012 using		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:			
– Contingent consideration payables	–	–	105,377
– Trading securities	243	–	–

The movement in fair value measurements in Level 3 during the year are as follows:

	2013 RMB'000
At 1 January 2013	**105,377**
Total gain recognised in the profit or loss included in other revenue and gains or losses	**(1,156)**
Payments in cash or settlements by share issued	**(11,401)**
Transfer to liabilities at amortised cost, upon contingent considerations confirmed	**(92,820)**
Overall net exposure at 31 December 2013	**–**

There is no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during both periods.

40. CONTINGENT LIABILITIES

At the end of reporting period, contingent liabilities not provided for in the financial statements were as follows:

The Company

	2013	2012
	RMB'000	RMB'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**36,581**	87,922

The banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB36,581,000 and RMB44,544,000 as at 31 December 2013 and 2012, respectively.

41. 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.

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

	1.1.2013 to 31.12.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000 *(Note)*	1.1.2011 to 31.12.2011 RMB'000 *(Note)*	1.1.2010 to 31.12.2010 RMB'000 *(Note)*	1.1.2009 to 31.12.2009 RMB'000 *(Note)*
Turnover	**1,414,616**	1,397,885	1,493,140	1,076,842	642,349
(Loss)/profit before income tax expense	**(565,262)**	(374,376)	83,943	61,849	24,609
Income tax expense	**48,412**	16,017	(25,251)	(14,183)	(7,496)
(Loss)/profit for the year	**(516,850)**	(358,359)	58,692	47,666	17,113
Attributable to:					
Owners of the Company	**(446,700)**	(324,761)	26,304	34,157	11,505
Non-controlling interests	**(70,150)**	(33,598)	32,388	13,509	5,608
	(516,850)	(358,359)	58,692	47,666	17,113

ASSETS AND LIABILITIES

	31.12.2013 RMB'000	31.12.2012 RMB'000	31.12.2011 RMB'000	31.12.2010 RMB'000	31.12.2009 RMB'000
Total assets	**1,012,803**	1,694,039	1,903,760	1,354,184	686,995
Total liabilities	**(519,128)**	(1,168,351)	(1,028,162)	(687,569)	(242,234)
Net assets	**493,675**	525,688	875,598	666,615	444,761

Note: As mentioned in note 5(c) to the consolidated financial statements, 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 other than RMB previously adopted by the directors of the Company. Therefore, the above operation results are adjusted retrospectively.