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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of New Focus Auto Tech Holdings Limited (the "**Company**") dated 28 March 2014 in respect of the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013 (the "**Annual Results Announcement**"). Unless otherwise defined herein, all capitalized terms used in this announcement shall have the same meanings as ascribed to them in the Annual Results Announcement.

Further to the publication of the Annual Results Announcement, the Directors would like to provide the following further information as required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as addition to the paragraph of operating loss under the section of management discussion and analysis in the Annual Results Announcement.

As mentioned in the Annual Results Announcement, the operating loss of the Group was approximately RMB539,627,000. 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.

The Company incurred an impairment loss on goodwill in aggregate of approximately RMB154,696,000 and other intangible assets in aggregate of approximately RMB211,722,000 for the year ended 31 December 2013.

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.

* *For identification purposes only*

As disclosed in the Annual Results Announcement, 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 Auto Accessories Supermarket Co., Ltd ("**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-commerce 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 Industrial Co., Ltd ("**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-commerce 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 Trade Development Company Ltd ("**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 Xin Tian Cheng Industrial Co., Ltd ("**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-commerce 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) New Focus Richahaus Co., Ltd ("**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 Auto Service Ltd ("**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) Two subsidiaries in Shandong ("**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 Automobile Trading Co., Ltd ("**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 Corporation Limited ("**IPO Automotive**") would have realised an increase in its 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.

Hubei Autoboom, Zhejiang Autoboom, Shanghai Astrace and Liaoning XTC engage in the wholesale of auto accessories. The industry of wholesale 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.

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 for some changes mentioned above.

As mentioned above, due to certain factors as detailed above, such as the competitive market and the increasing labour costs, the related business had incurred such impairment losses in 2013. But in consideration of some emerging effects resulting from various measures implemented by the new operating team, including formulation of city strategy which focuses 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 the Greater 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.

There was no change in the valuation method as the recoverable amount of each of the acquired companies was estimated based on its values in use as at 31 December 2013 and 31 December 2012. All the calculations use discount cash flow model based on financial budgets approved by management covering a certain period. Cash flows beyond such periods which normally were 5 years are extrapolated using estimated growing rate of 0–3%.

The below key assumptions are not significantly changed, except for those of certain acquired companies with the changes of development strategy and operation direction as mentioned above. The detailed changes are as follows:

	2013	2012
	%	%
Gross margin	**15–47**	15–58
Growth rate within the forecast period	**4–24**	0–32
Discount rate	**17–24**	12–19

RHL Appraisal Limited was engaged to value the goodwill and other intangible assets as at 31 December 2012 related to Changchun Guangda, Hubei Autoboom, Liaoning XTC, Zhejiang Autoboom, Shanghai Astrace and Shenzhen Yonglonghang. RHL Appraisal Limited was also engaged to value the goodwill and other intangible assets as at 31 December 2013 related to Changchun Guangda, Hubei Autoboom, Liaoning XTC, Zhejiang Autoboom, Shanghai Astrace, Shenzhen Yonglonghang, Beijing Aiyihang Auto Services Ltd. and Shandong Aiyihang.

China Intangible Asset Appraisement Co., Ltd. was engaged to value the goodwill and other intangible assets related to IPO Automotive as at 31 July 2012 and 31 December 2013 and Richahaus as at 31 December 2012.

The valuation of goodwill and other intangible assets related to Richahaus as at 31 December 2013 was based on the assessment by the management and no independent valuer was engaged for such purpose.

By Order of the Board
New Focus Auto Tech Holdings Limited
Wang Zhenyu
Chairman

Hong Kong, 21 April 2014

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